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FINANCIAL TIMES

DOUGLAS
CAPABILITY IN CONSTRUCTION

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WORLD NEWS

Airliner crashes at Berlin

A Soviet airliner carrying 80 passengers crashed yesterday evening while approaching Schönefeld Airport, East Berlin.

East Germany's ADN news agency said 10 people had been saved and rescue work was continuing. The jet went down in light drizzle and fog.

The Aeroflot TU-134 was flying from Minsk. Aircraft on this route frequently carry Westerners.

Inquiry into sinking

The Government announced an inquiry into the loss of the cargo ship Derbyshire, which sank in the Pacific in 1980 with the loss of 44 lives. Page 4

Labour N-plan rapped

Labour Party plans to scrap nuclear arms would lead to a catastrophe "where the Soviet Union: an look down our throats and tell us where to go," said US State Secretary George Shultz. Nato. Page 2

Man killed by bomb

A man getting into a lorry near Castlebar, Co. Tyrone, Northern Ireland, died when a booby-trap bomb exploded. Police said he was not the lorry's usual driver and was not connected with security forces.

Tell all, says Reagan

President Reagan wants former aides John Poindexter and Oliver North, who have refused to testify in the Iran arms scandal, to tell Congress all they know. The White House said. Firm lead sought. Page 2

Poor support for strike

A one-day general strike in Brazil in protest at government austerity measures appeared to attract only patchy support. Page 2

Italian amnesty

Up to 5,000 prisoners are expected to go free under an amnesty approved by Italy's parliament to mark the 40th anniversary of the founding of the republic.

Doctor cleared

A doctor was cleared at Chelmsford of alternative charges of raping or indecently assaulting an eight-year-old girl.

Armstrong criticised

Historians and MPs criticised Cabinet Secretary Sir Robert Armstrong for halting publication of Premier Neville Chamberlain's private diary on the 1938 abdication crisis.

TV world service offer

The BBC offered to fund the £1.4m start-up cost of a television version of the radio World Service and contribute £2m to the first-year running costs of £7.8m. Page 4

Awacs claim denied

The Government denied suggestions that it was already committed to buying the US Awacs airborne early warning system from Boeing rather than the British Nimrod. Page 4

Bad news on smoking

Smokers who give up, or who switch to cigars or pipes, do not substantially reduce the risk of heart attacks, a study published in The Lancet showed.

Hong Kong man to go

John Boyd, Britain's political adviser in the Hong Kong government, is leaving his post early, a move likely to increase anxieties there. Page 3

Light taxes

France's Government is to tax matches and cigarette lighters to raise funds to help fight summer forest fires in the south.

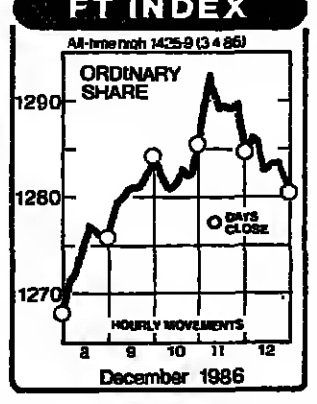
BUSINESS SUMMARY

UK inflation up sharply at 3.5%

UK inflation rate rose sharply in November to 3.5 per cent, the highest annual figure since March, after holding at 3 per cent for the previous two months.

Employment Secretary Lord Young said the rise was expected because of the mortgage rates' increase from November 1. Back Page

EQUITIES: Optimism on oil prices, fuelled by the Bank of England's forecast that crude oil will rise to \$20 a barrel by the start of 1987, helped oil



major and government bonds but failed to inspire elsewhere. The FT Ordinary Share Index closed 4.3 down at 1,280.4. The index was up 11.9 on the week. Page 1

OPEC has reached agreement in principle for a 5 to 10 per cent output cut in first quarter 1987 to boost oil prices. Ecuador's deputy Oil Minister said in Geneva. Saudis willing to cut output. Page 2

INSIDER TRADING: Reagan Administration is setting up a task force to review US laws on insider trading and junk bonds following the Boesky scandal. Back Page

JAPAN and the EEC announced outline agreement on a handful of limited trade disputes but no significant progress on the huge and growing trade imbalance. Back Page

ASSOCIATED British Foods, UK food manufacturer controlled by the Weston family of Canada has raised £145m through a new share issue intended to reduce the 70 per cent family stake for tax reasons. Back Page and Lex

UK TAX: Government plans to change the system to encourage companies to pay corporation tax on time and include all relevant pay in PAYE returns, following the Keith Report. Back Page

CHINA is to introduce income taxes to try to narrow the gap between workers who have turned economic reforms to their advantage and those on a set wage. Page 3

JAPAN'S three supercomputer manufacturers denied US charges of unfair trading designed to block sales of imports. Page 3

POCLAIN, French mechanical digger producer, proposed radical financial restructuring to stem continued heavy losses. Page 9

DUBLINER, UK electronic connectors and components manufacturer, announced a 23 per cent fall in pre-tax profits to £3.02m. Page 6

BRITISH SHIPBUILDERS announced a £51m loss in six months to September 30. Page 4. The number of UK-owned and registered large ships could fall by 80 per cent to fewer than 100 by 1995, warned General Council of British Shipping. Page 3

MORGAN CRENELL, UK financial services group, is to buy C. J. Lawrence, US securities firm, for \$70m (£49m). Page 8; Lex, Back Page

BRITISH CAS: Government spent £41m marketing shares to the public, Energy Secretary Peter Walker said. Page 4

Japan resists pleas from West for digital tape 'spoiler'

BY CARLA RAPAPORT IN TOKYO AND DAVID THOMAS IN LONDON

JAPAN AND its Western trading partners are heading for a trade dispute after the Japanese bluntly refused to change a new audio system which the music industry thinks threatens its survival.

The Japanese now look certain to launch the system next year, but the Western music industry will press the US government and the European Commission for laws forcing the changes it wants on the Japanese.

The digital audio tape system will allow almost perfect music reproduction using tape cassettes smaller than compact discs.

The Western music industry fears that combined compact disc-DAT players, which the Japanese have already exhibited, will encourage consumers to tape off compact discs without paying royalties, undermining its copyright earnings.

Senior executives from both sides met in Vancouver, Canada, this week to solve the problem. However, the meeting broke down after the Japanese rejected the demands.

For the music industry, Mr. Nesuhi Ertegun, head of Warner Brothers records, told the meeting that because of the copying problem, "DAT is clearly an enormous threat to the survival of the music industry."

He argued that it was in consumers' long-term interests that copyrights should be protected. "It is false to assume that the consumers should get whatever they want."

He asked the Japanese to support the music industry's quest for US and European legislation requiring DAT machines and tapes to be fitted with an anti-copying device, known as a spoiler.

However, the Japanese rejected the request, saying an anti-copying device would "destroy the major functions of this promising product."

They told the meeting: "We strongly believe that it is a duty of the hardware industry to let the consumer enjoy the result of this epoch-making new technology as soon as possible."

The Japanese said they opposed commercial piracy and would co-operate with the music industry to stamp it out, but their sole concession in the Vancouver talks, however, they did not oppose home taping.

Mr. Scholch Sabu, chairman of Toshiba, said home taping was "quite different and should be distinguished from piracy."

The music industry will take up the Japanese offer of a campaign against commercial piracy, but thinks that leaves the main issue of home taping unaffected.

DAT machines are expected to be launched in Japan in the next few months. The music industry fears they may be sold overseas as early as next April.

It reacted to the breakdown of the talks by promising "aggressive music industry initiatives in the US Congress and the EEC to secure implementing legislation."

The Recording Industry Association of America, the US music trade association, will try to get a bill introduced into the next session of Congress imposing a 35 per cent duty on all imported DAT machines without a spoiler.

The International Federation of Phonogram and Videogram Producers, the international music trade association, will press for speedy European legislation requiring all imported machines to have a spoiler and for tariffs on machines as an interim measure.

The federation, which has already discussed those ideas with the European Commission, is to meet senior Commission officials again next week, as are representatives of the Japanese electronics industry.

Commission officials are about to present options to Lord Cockfield, the European Commissioner responsible.

The Commission intends to publish proposals on DAT early next year in a green paper also dealing with other copyright issues. The Commission appears to favour a levy on blank DAT tapes or machines, to be paid to copyright holders, against a tariff on imports.

Any European legislation requiring an anti-copying device in machines may also be accompanied by a requirement on the music companies to produce copiable material.

EEC trade talks, Back Page

ANC planned to step up action Botha declares

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. Botha last night justified South Africa's tough press and opposition crackdown as a pre-emptive move to counter what he said were plans by the African National Congress to step up its revolutionary campaign over Christmas and beyond.

Speaking on state-controlled television, Mr Botha said the restrictions and yesterday's police swoop on alleged ANC activists were "aimed at the Communist Party/ANC structures that are involved in the planning, co-ordination and execution of revolutionary violence."

"Security action had been based on irrefutable information that has been assembled and evaluated with great care and self-sacrifice," he said. At a background briefing in Pretoria before the President's speech, correspondents were given copies of extracts from recent ANC documents and speeches, some of them gathered by the South African security forces, on which the Government's allegations of a "co-ordinated revolutionary onslaught" were based.

Documents said to have been distributed to various ANC command centres in October indicated the important role played by the United Democratic Front (UDF), South Africa's largest legal anti-apartheid coalition, in the ANC's overall strategy of creating "mass revolutionary bases" in the country.

But the documents also provide a candid analysis showing "major problems in this area of our struggle" and also reveal "sharp divisions and conflict within the UDF leadership, the failure of the UDF to work out a programme of action and a set of strategic and tactical objectives, contradictions between national UDF leaders and regional and local collectives, divisions within the Cosatu trade union federation."

These and other failures would seem to undermine the Government's claim that it was forced to ward off an imminent revolutionary onslaught.

The ANC documents also noted the failure of Umkhonto We Sizwe, the military wing of the ANC, "to build up the required links between professional Umkhonto units and the mass combat groups that exist in many parts of the country."

President Botha, however, said that ANC pamphlets indicated December 16 as "an appropriate occasion to step up terror and murder." December 16 is both a historical date commemorating the Afrikaner victory over the Zulus in 1838 and the 25th anniversary of the founding of Umkhonto.

Hours before President Botha made his speech, Mr Pik Botha, the Foreign Minister, announced that two Swiss citizens had been detained by the security forces for allegedly working for the ANC "in the spheres of violence and intelligence-gathering."

Earlier, two Swiss citizens were reported to have been abducted from Swaziland.

The Swiss Government protested vigorously and called in the South African chargé d'affaires in Berne to demand further information.

Editor detained, Page 2

Inspectors widen Collier insider dealing inquiry

BY CLIVE WOLMAN

THE TWO inspectors appointed by the Government last month to investigate alleged insider dealings by Mr Geoffrey Collier, the former securities chief of Morgan Grenfell, have widened their investigation to other suspects.

Mr Collier was charged with three offences 11 days ago as a result of the investigation. He is alleged to have passed inside information to Mr Michael Cassell, a US-based stockbroker, by telephoning from the home of Mr John Holmes, his ex-partner at Morgan Grenfell. So far, no charges have been brought against anyone else.

The chief problem they were facing, he said, was gathering sufficient evidence to prove that suspects had knowingly passed on inside information and that others had knowingly acted on that information when dealing in the markets. The use of offshore bank accounts to conceal

Land Rover prepared to offer nine-day fortnight

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LAND ROVER yesterday offered its 7,200 manual workers a nine-day fortnight and immediate staff status in what it described as a pace-setting deal for the motor industry.

The company, part of the state-owned Rover group and a candidate for early privatisation, told union leaders that it wanted to break from the annual pay round and offer "a total employment package."

It said the proposed two-year deal was "unique" in offering increased leisure time—the nine-day fortnight will give an extra 22 days holiday—and security of earnings.

Union leaders sought an adjournment in negotiations still next Tuesday to consider an offer which, while meeting some of their peripheral demands, falls far short of their claims for an immediate 15 per cent increase in basic pay.

A growing number of companies are introducing more flexible working time arrangements, but Land Rover's move is far-reaching for the car industry. It is also in advance of similar likely initiatives if current talks between engineering employers generally and the unions reach agreement on reduced and flexible hours.

The Land Rover offer would raise basic pay by 8 per cent over two years, increasing the wage of a typical production worker by 15 per cent.

Continued on Back Page

Teachers' pay solution closer

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LOCAL AUTHORITY and Education Department officials will meet next week to discuss terms to put to the teaching unions as a compromise settlement of the long-running pay dispute in schools in England and Wales.

The move, disclosed following a meeting yesterday between local authority leaders and Mr Kenneth Baker, Education Secretary, suggests all sides are within grasp of a pay solution. This would avert the threat of a Government-imposed settlement under the legislation currently going through Parliament.

However, the Labour-led employers went on yesterday to shift the focus of the dispute away from the issue of pay structure and incentives for teachers to the question of future negotiating machinery.

Mr John Pearson, the employers' chief negotiator, said the wide-ranging agreement between the local authorities and the unions would fall unless the Government withdrew or amended heavily the Teachers' Pay and Conditions Bill. It proposes replacing the statutory Burnham pay bargaining machinery with an interim pay advisory committee.

He said: "If the Government is not willing to do that, there can be no agreement with the teachers or with the employers. Inevitably, imposition will have to take place."

The development came as the Assistant Masters and Mistresses Association, the third-biggest teaching union, announced a ballot majority of almost two to one in favour of the existing employers' pay and conditions offer, worth an average 16.6 per cent over 15 months.

SECURITIES DEAL LIKELY

exchange of information between the regulators of the different countries was likely to emerge over the next two years. The meeting had discussed the principles behind such agreements in plenary sessions and in one-to-one discussions. The 10 countries —the UK, US, Canada, France, Switzerland, West Germany, the Netherlands, Japan, Australia and Hong Kong—had agreed to meet again in the middle of next year. There were no immediate plans to widen the meeting to other countries.

Continued on Back Page

Small shareholders: after Sid, the doubts set in

People in the news: the French students

Editorial comment: twin nations of renters

Greyhound racing: UK's number two spectator sport

Private Eye: after Robert Maxwell

MARKETS

DOLLAR
New York lunchtime: DM 2.0100
FF 6.555
SFR 1.6895
Y162.55

LONDON
DM 2.0165 (2.0160)
FF 6.61 (same)
SFR 1.6975 (1.685)
Y163.0 (162.55)
Dollar index 111.3 (111.1)
Tokyo close Y162.98

US LUNCHTIME RATES
Fed Funds 5 1/4 %
3-month Treasury Bills: yield 5.59 %
Long Bond 10 1/2 % yield: 7.38 %

GOLD
New York lunchtime: \$394.2
London: \$390.25 (1838.25)

STERLING
New York lunchtime \$1.4285
London: \$1.4275 (1.4235)
DM 2.8775 (2.87)
FF 9.4550 (9.41)
SFR 2.4225 (2.4025)
Y232.5 (231.5)
Sterling index 68.7 (68.3)

LONDON MONEY
3-month interbank: closing rate 11 1/4 % (11 1/4 %)

NORTH SEA OIL
Brent 15-day Jan (Argus) \$15.45 (15.05)

STOCK INDICES
FT Ord 1280.4 (-4.3)
FT-A All Share 315.18 (-0.21)
FT-SE 100 1,629.8 (-4.2)
FT-A long gilt yield index: High coupon 10.53 (10.42)
New York lunchtime: DJ Ind Av 1,918.45 (-5.2)
Tokyo: Nikkei 18,300.64 (+99.39)

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For London market and latest share index 01-216 8026; overseas markets 01-246 8086

WEEKEND FT



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FINANCE
Insider trading—who are the winners and losers? Page IV



PROPERTY
Weekend FT's resident residential columnist reviews the 'yuppies' boom down in London's dockland. Page VIII



HOW TO SPEND IT
Fish eggs at £300 a pound? Anyone for caviar? Page XIII

CONTINENTAL SELLING PRICES: Austria S\$20; Belgium BF45; Cyprus C\$175; Denmark Dk\$ 8.50; France FF 9.50; Germany DM 2.20; Ireland Irl\$ 1.50; Italy L\$ 500; Netherlands Hfl 2.25; Norway Nkr 1.00; Portugal Esc 100; Spain Ptas 125; Sweden Sfr 7.00; Switzerland Sfr 2.20.

Curtain will not stay down when MI5 spy court drama ends

Britain's attempt to suppress a spycatcher's memoirs nears its climax, reports Chris Sherwell



Judge Philip Powell: hardest task begins

THE BRITISH Government's campaign to suppress the memoirs of former MI5 officer Peter Wright reaches a climax on Monday after four weeks of complicated court hearings and more than 15 months of awkward legal battles.

Fifteen submissions from the distinguished Mr Theo Simos, QC, for the British Government, and from the young and energetic Mr Malcolm Turnbull, for Mr Wright and his publishers Heicoemann Australia, will leave the case in the hands of Mr Justice Philip Powell of the New South Wales Supreme Court.

For him, the hardest task is just beginning. For the two protagonists, there is the agonising uncertainty while judgment is awaited. If the curtain is going down on a high drama, however, it is probably doing so temporarily. The judgment could well be the subject of an appeal, which

is likely to be more than a mere epilogue. Also, there have been some equally dramatic arguments elsewhere which are not likely to be resolved by the judgment.

The most public of these has occurred in the British House of Commons. Rarely can the rumblings from a foreign court have reverberated so resoundingly around Westminster.

"The reason was Whitehall's chief mao-danin — the Cabinet secretary, head of the Civil Service, and chief official adviser on security — being put relentlessly through a grilling on some of the Government's most secret practices.

That it was happening in public, abroad and probably for the first time was bad enough. When Sir Robert was obliged to admit at one point that he had misled the court, the embarrassment was palpable, the apologies abject. Not that Sir Robert acquitted

himself poorly, as some think. Time after time he showed himself to be remarkably, if irritatingly, skilled in the art of evasion — or, more accurately, avoidance.

At one moment he would answer for the Government, the reason he was in Sydney in the first place. At another he would speak for himself, usually in the negative ("Not to my knowledge"). At still another, he simply could not remember, or was "not aware."

If it is going too far to say that he met his match in the tenacious 32-year-old Mr Turnbull, there seems little doubt that, whatever the eventual verdict, Mr Turnbull has made his name through this case.

A former journalist who studied law and won a Rhodes Scholarship to Oxford, Mr Turnbull was well-known and well-coöperated before he agreed to represent Mr Wright. This had undoubtedly been

the big oot, and he has handled it well both inside and outside court room 8D. Outside, he made himself accessible to the Press without compromising his relationship with it.

Inside the court, where he seemed constantly to leap between different lines of questioning without tying the threads together, he evidently knew more than anyone realised about the background to the case.

That was partly how he pinned Sir Robert down so embarrassingly over details of the Government's stand in 1951 on Chapman Pincher's book *Theirs Was the Secret*.

This was a crucial plank in the defence platform. The defence maintains the Government, with that book in effect authorised the very disclosures Mr Wright now wishes to publish. It was also at the heart of

the interminable arguments over secret government documents which offered the defence the prospect of hard evidence to support its contention.

Under the compromise that settled the matter, the Government safeguarded the papers' secrecy but had to make certain admissions over their contents.

The ailing Mr Wright's affidavit, by contrast, was probably the highlight of the hearing if one discounts the spectacle of Sir Robert's sensational confession. Looking tired and nervous, and speaking slowly because of a speech impediment, Mr Wright's obsession with the problems of MI5 and Britain was immediately obvious.

As the Government's former chief spycatcher and mole-hunter, he asserted that Mrs Margaret Thatcher, the Prime Minister, had twice misled Parliament.

Little of this answered the Government's case, however, and Mr Simos slowly ploughed his own parallel furrow, arguing that Mr Wright was in breach of his contract and of a life-long duty to maintain confidentiality. As he put it one point, "we stand or fall on this."

Mr Wright disputes the existence and terms of these obligations, but Britain still has a fall-back argument that publication of an insider's memoirs is so damaging that it overrides the public interest to know details.

In this it has received the support of the Australian Government, an important factor since, as the judge reminded the court on several occasions, it was the Australian rather than the British public interest which he had to consider.



Malcolm Turnbull: made his name in the case

Nato agrees arms talks priorities

BY ROBERT MAUTHNER IN BRUSSELS

NATO FOREIGN ministers yesterday agreed on a set of priorities for the arms control negotiations between the US and the Soviet Union intended to ensure that the interests of Washington's European allies are fully taken into account.

The agreement came at the end of a surprisingly smooth two-day conference, given the doubts that have been expressed in West European capitals about President Reagan's negotiating stance at his recent summit in Reykjavik with Mr Mikhail Gorbachev, the Soviet leader.

The priorities listed in the final communiqué echoed almost word for word those established by President Reagan and Mrs Margaret Thatcher, the British Prime Minister, at their Camp David meeting last month.

The Atlantic allies backed the US in its efforts to negotiate 50 per cent cuts in US and Soviet strategic forces and the elimination of the two superpowers' land-based long-range intermediate nuclear forces in Europe, with limits of 100 warheads each in Soviet Asia and the US.

In this context, they also underlined the need to wipe out the Soviet Union's present advantage in shorter-range nuclear weapons, the importance of removing disparities in conventional forces and the aim of achieving a total ban of chemical weapons.

Significantly no mention was made of President Reagan's offer, to Mr Gorbachev to Reykjavik that all offensive ballistic missiles should be abolished

The Soviet Union yesterday said it regretted the lack of progress in the latest round of the 13-year-old Vienna talks on ending conventional forces in Europe. Reuter reports from Moscow, Ambassador Valerian Mikhalov, who headed the Soviet delegation of Vienna, blamed what he called an artificially created deadlock on "the stubborn persistence of the North Atlantic Treaty Organisation countries to distort the purpose and the substance of the talks. Speaking at a news conference, Mr Mikhalov declined to comment on a proposal from Nato yesterday for new East-West talks on nuclear cuts which would expand the region of the reductions to the whole of Europe. Mr Mikhalov said the Soviet

over a period of ten years, which created such a stir among his European partners. Washington's European allies fear that a drastic reduction of the American nuclear umbrella would make them even more vulnerable to Moscow's superiority in conventional forces. Their concern was clearly mirrored in the communiqué, which stressed that nuclear weapons could not be dealt with in isolation, but that their reduction must go hand in hand with progress in other areas of arms control. It was this concern which led to Nato countries on Thursday

Union and its Warsaw Pact allies had made concessions in Vienna but had received no response from Nato. A Soviet Foreign Ministry statement yesterday accused the US of indulging in gross slander in trying to justify its decision to breach the Salt-2 strategic arms limitation treaty. The statement strongly decried "unsubstantiated" accusations by the US Arms Control and Disarmament Agency on Wednesday that Moscow had repeatedly violated the provisions of the 1979 treaty. "Realising that its abandonment of Salt-2 deals a blow to US prestige in the world arena, the American Administration again resorted to crude, unscrupulous slander of the Soviet Union in an attempt to whitewash itself."

to agree to a new forum for East-West negotiations on conventional forces. But Mr George Shultz, US Secretary of State, and Sir Geoffrey Howe, the British Foreign Secretary, went out of their way to stress the urgent need for what Sir Geoffrey called a "quantum improvement" in the human rights performance of the East. While declining to establish a formal link between the Eastern bloc's human rights record and arms control negotiation, both ministers emphasised that the right atmosphere for East-West agreements could be

created only if Moscow and its allies changed their approach to human rights. The recent death in prison of Mr Anatoly Marchenko, the Soviet dissident, was a brutal reminder of Soviet attitudes, Mr Shultz and Sir Geoffrey said. It was certainly not the moment to press for the conference in Moscow on human rights, as the Soviet Union had proposed. Mr Shultz appears to have been successful in persuading his partners of the continuity and firmness of US foreign policy, in spite of President Reagan's domestic problems over arms sales to Iran and the failure of the Reykjavik talks. The US Secretary of State denied that he had found it necessary to undertake any "rebuilding" of Nato's unity. "We have an alliance that works, consults and thinks together," he said.

Sir Geoffrey said that everyone had concluded that "the resolution of the US Government to commit itself to the arms control agenda was quite firm." Asked in comment on the British Labour Party's latest non-nuclear defence policy document, Mr Shultz said that unilateral disarmament was a catastrophic idea. "Why in the world would we want to put ourselves in a position where the Soviet Union can look down our throats and tell us where to go because they are heavily armed and we have thrown our arms away. It doesn't make any sense at all," Mr Shultz said.

US looks to Reagan for firm lead on Iran affair

By Nancy Dunne in Washington

PRESIDENT Ronald Reagan is under renewed pressure to take a firm grip of his administration, such his Chief of Staff, and quickly make public all details of the controversial arms sales to Iran.

With congressional hearings producing daily disclosures about the Administration's dealings, the view is emerging of a passive President unable to act which has alarmed Republicans and Democrats alike. Speaking in Brussels where he has been meeting Nato foreign ministers, Mr George Shultz, the Secretary of State, said that Administration officials should "get things out as rapidly as possible." The facts of the weapons sales and diversion of funds to Nicaraguan rebels, should be "set out on the table" for the US public and all the world to see. As wounded White House aides consulted past and present officials, the President has had meetings with Mr William Rogers, the former Secretary of State, and Mr Robert Strauss, the former Democratic Party chairman.

The latter, according to the Washington Post, echoed the view of many in Congress that the President must replace Mr Donald Regan, his Chief of Staff, and Mr William Casey, the head of the Central Intelligence Agency. The President reportedly expressed the view that the controversy would be short-lived, but his wife, Nancy, is said to be deeply concerned and urging Mr Regan's dismissal.

In an unusual letter to the Washington Post, Senator Robert Dole, the Republican leader, urged Vice Admiral John Poindexter, the former National Security Adviser, and Lt Col Oliver North, his former aide, to tell the President everything they know about the affair.

The two were men of "unquestioned patriotism and courage," he said, but "they alone can reveal, now and not after months of investigation, what we need to know about the Iran affair."

Meanwhile, pieces of the puzzle continue to come to light. In an interview with ABC television on Thursday night, Mr Manchester Gorbanihar, an arms dealer and reportedly head of Iranian intelligence for Europe, and Mr Adnan Khasnoggi, the Saudi billionaire, said they had first set up the arms shipments to improve relations between Iran and the US.

William DuBoise adds from Geneva: Credit Suisse has lifted its block on the removal of funds from an account at its Geneva branch through which money from the sale of US arms is alleged to have been channelled to the Nicaraguan rebels. In the absence of a formal US request to the Swiss Government for legal assistance in pursuing criminal charges, it was no longer possible for the bank to freeze funds in the account, a spokesman said.

Saudis willing to cut oil output

BY RICHARD JOHNS IN GENEVA

SAUDI ARABIA yesterday told other members of the Organisation of Petroleum Exporting Countries that it was willing to cut its output, if others did so also, to raise oil prices to a level of about \$18 a barrel.

This was said by Mr Hisham Nazer, the kingdom's chief delegate, at the morning session on the second day of the ministerial conference in Geneva. The news was received with excitement by oil and foreign exchange traders yesterday. The market pushed aside earlier thoughts that agreement on production cuts could take a long time. The price of Brent crude oil for delivery in February jumped by 78 cents to a high of \$15.85 cents a barrel. In London yesterday morning sterling rose to DM 2.8900, 2 pennings above Thursday's close.

In the course of the day, conflicting information was fed out from Geneva, which caused some confusion in the markets. A report that Mr Rikwant Lukman, the Opec president, had denied that Saudi Arabia had offered to cut production, caused a temporary dip of about 40 cents in oil prices in the middle of the afternoon.

Sterling accordingly lost some steam, and the Bank of England's sterling trade weighted index closed at 68.7 compared with the previous close of 68.3. The extent of the overall output reduction required, and the possible exemption of some poorer member states, had still not been discussed.

Nevertheless a firm consensus emerged that a price of \$18 a barrel should be achieved as soon as possible. There were continuing doubts about the feasibility of setting a system of fixed prices, however. The "basket" of grades selected by Opec's three-man ministerial committee on pricing, chaired by Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil, also came under fire. Experts were asked to change it and include some heavier varieties produced by member states from what would be the central reference for

Last ditch EEC bid for farm reform

EEC farm ministers reconvene in Brussels this afternoon in a last ditch effort by Britain to reform the Common Agricultural Policy before the end of the year, writes Tim Dickson in Brussels.

With just over a couple of weeks before Belgium takes over the presidency of the EEC, Mr Michael Jopling, the UK's Agriculture Minister, is expected to push hard for agreement on his latest proposals for curbing surpluses in the beef and dairy sectors. These were presented to the Farm Council earlier in the week but failed to attract widespread support from other member states. Mr Jopling then suspended the meeting so that more detailed work could be carried out by officials.

Dr Oonagh McDonald, a British Labour Party Treasury spokesman, yesterday told leading Opec ministers in Geneva that she believed a future Labour government should try to co-operate with the cartel to help stabilise world oil prices. Dr McDonald who met Mr Hisham Nazer, the acting Saudi Arabian Oil Minister, said afterwards that her visit was for private fact-finding rather than detailed discussion about production cuts or prices. She also met the oil ministers of Kuwait, Nigeria and Indonesia as well as Dr Fadhil al Chalabi, Opec's secretary general.

She said: "It was very clear to me that there was great political will to achieve a price of \$18 per barrel." However, the ministers had told her there were considerable difficulties about the methods of achieving this goal.

The seven chosen by the committee in Quito, Ecuador, last month—all of them light-weighters (Indonesia, Arab Light (Saudi), Fateh (Dubai), Bonni Light (Nigeria), Saharan Blend (Algeria), Tia Juana Light (Venezuela) and Istama (produced by non-member Mexico)). Mr Nazer, who was appointed as acting successor to Sheikh Ahmed Zaki Yamani after the latter's dismissal six weeks ago, has also been consistent on an early ending to this meeting.

That would inevitably mean that many loose-ends would be left, not least the setting of a system of price differentials for various crude varieties not included in the "basket". The general consensus seemed to be moving towards the view that Opec had little choice but to move towards \$18 gradually, albeit as soon as possible, notwithstanding the insistence of King Fahd of Saudi Arabia that this level should be restored as soon as possible.

Swedish inflation

The short-term outlook for Sweden's economy improved yesterday with the surprising announcement that the 3.2 per cent inflation rate is expected to stay below the level that would trigger a renegotiation of the two-year national wage settlement for 1986-87, writes Kevin Done in Stockholm. The consumer price index was unchanged in November at 3 per cent.

Calm in Zambia. Calm returned to Zambia's rioting and looting prompted by food price rises, writes Victor Mallet in Lusaka. The disturbance ended when President Kenneth Kaunda reintroduced a subsidy for high-grade maize meal, a staple food for Africans.

Philippines debt. The Philippines as won a three-month moratorium starting next month on the payment of debts due to commercial banks between 1987 and 1992, according to the Finance Minister, Mr Jaime Ongpin, Reuter reports. He said it would give time to negotiate a rescheduling of the \$3.6bn debt due over the next six years.

US wholesale prices. The US producer price index for finished goods rose by 0.2 per cent on a seasonally adjusted basis in November, Reuter reports from Washington. It was the fourth rise in a row for the index, which measures the prices of goods at the wholesale stage. It increased 0.3 per cent in October and 0.4 per cent in both September and August.

Malta agreement. A five-year political crisis in Malta which erupted into violence again last week has apparently been settled with the approval last night by the two main parties of sweeping constitutional reforms suggested by former Prime Minister Dom Mintoff, writes Godfrey Grima in Valletta.

China-India row. Relations between India and China took a turn for the worse yesterday over the question of granting statehood to Arunachal Pradesh in northeast India, writes K. K. Sharma in New Delhi. China claims Arunachal Pradesh, as its territory.

Chirac tries to mend some fences

By David Housgo in Paris

The French Prime Minister, Mr Jacques Chirac, yesterday called on his divided government to demonstrate "more than ever their cohesion and solidarity."

Speaking to a specially convened meeting of ministers in the wake of the crisis caused by student demonstrations against education changes, he also pronounced a more open style of administration. He promised better co-ordination between ministries and more regular gatherings of ministers before decisions were taken.

Mr Chirac's pledge follows criticism by the centrist UDF partners within the government coalition that the government has too often been ignored in decision making and appointments.

His remarks and those of other ministers were conveyed to the press in a briefing by Mr Denis Baudouin, the government spokesman.

The Prime Minister said that he did not regard the postponement of part of the government's legislative programme as implying any let-up in its activities. He spoke of making a new start by telling his ministers that he himself would undertake an extensive speaking tour.

He made clear that he now regarded the focus of government action as being the economy. This follows attacks on the Government over its policies on immigration, the universities and drug abuse.

Mr Edouard Balladur, the Finance Minister, spoke of the need for continuing savings in public spending to finance tax cuts without increasing the government deficit.

French inflation slowed in November and the Government, struggling to reassert its credibility after the past week's student troubles, hailed the news as proof that its economic policies were working. Reuter reports from Paris.

The Finance Ministry said consumer prices rose only 0.1 per cent last month, bringing the annual inflation rate down to 2.1 per cent from October's 2.3 per cent.

On a monthly basis, it was the smallest November rise since 1964 and, on a yearly basis, since 1956, the ministry said.

Turkey and US reach accord

BY DAVID BARCHARD IN ANKARA

TURKEY and the United States yesterday settled the terms of a five-year Defence and Economic Co-operation Agreement after 15 months of bargaining. The accord was announced by Mr Richard Perle, the US Deputy Secretary of Defence, for whom it represents something of a personal triumph. He said that the full details would not be published until the agreement is signed, probably during a planned visit to Washington next month by the Turkish Foreign Minister, Mr Vahit Halefoglu.

It will be back-dated to the expiry of the last agreement on December 18, 1985. Earlier this

week the Turkish Foreign Ministry had been insisting on limiting the agreement to only two years.

Turkey went into the negotiations hoping to extract much larger quantities of aid from the US and some sort of guarantee that the assistance would not be subject to annual trimming by the Congress.

It has emerged with its aid package for next year nearly \$400m (£200m) lower than last year because of US budget restrictions, but with certain qualitative improvements in what it receives in terms of weaponry. In addition, the US has formally breached the

principle of granting aid to Turkey in a ratio of 10:7 to its aid to Greece. Turkey will be able to obtain supplies of US surplus weapons outside this ratio.

However, it seems likely that Greece will attempt to push up its allocation into line with the new level when it comes to negotiate its defence agreement with the US.

Turkey is to receive a higher proportion of its US aid in the form of grants than it did in the past. The US has also undertaken to study possible ways of reducing the interest burden on Turkey's outstanding foreign military sales from the US.

Opposition to Israeli reform plan

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government's free market economic programme is being resisted more strongly than expected by the socialist-oriented Labour Party, the principal coalition partner of Prime Minister Yitzhak Shamir's Likud.

Mr Shamir and Mr Shimon Peres, the Labour leader, met yesterday afternoon to try to reach a compromise on the main sticking points. These are believed to be the proposed cuts in defence and social spending.

Also present were Mr Moshe Nisim, the Likud Finance Minister, and Mr Gad Ya'acobi, Labour's Minister of Economy and Planning. The four make up the economic inner-cabinet, Israel's top economic policy-making body.

Mr Nisim said yesterday about 44 per cent of the country's employees would benefit from the proposed tax reforms both at the top and bottom of the incomes scale. Top rates of corporate taxation — among the highest in the world — are due to be reduced, though by a lesser amount than for personal income tax.

The Labour and Likud leaders switched their traditional positions over the proposed cuts in defence. At the heart of the economic package, the usually dovish Mr Peres has come out against further cuts. The hardline Prime Minister has endorsed their inclusion.

The Defence Ministry and its allies in industry have been campaigning for a substantial real increase in defence spending for the rest of the decade to make up for the cuts of the past three years.

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Editor detained in S African police swoop on 'ANC activists'

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Police launched an early morning raid yesterday on alleged activists of the banned African National Congress.

Less than 24 hours after the government introduced sweeping restrictions on the media and the activities of opposition groups, General Joban Coetzee, Commissioner of Police, announced a "swoop on a number of ANC and other violent elements."

Gen Coetzee said: "Various arrests were made and a large number of documents and other subversive material were taken."

Details of those detained and legal steps against them would

be made known "in due course." Gen Coetzee said the swoop followed on information gathered by the security forces as well as statements by the ANC that deeds of terrorism were being planned nationwide during the festive season.

The Government has used what it calls the threat of a "co-ordinated revolutionary onslaught" to justify imposition of the tougher emergency regulations.

Lawyers said yesterday they had been notified by the police that Mr Zwelakhe Sisulu, editor of the Roman Catholic weekly New Nation, had been detained. Mr Sisulu is the son of ANC leader Mr Walter Sisulu, who is in Pollsmoor jail in Cape Town with Mr Nelson

Mandela and other ANC leaders. His mother Mrs Albertina Sisulu is a patron of the United Democratic Front anti-apartheid organisation.

In meetings with newspaper publishers and editors before the new regulations, the government made clear it intended to take action against the "alternative press."

Three leading members of the National Education Crisis Committee, set up to voice demands for improved black education were also in detention, the committee said. The Congress of African Trade Unions said three of its members had been detained.

Condemnation of the tighter restrictions filled leader columns in newspapers yesterday as news was sought to come to terms with the censorship rules. Both censor and censored were confused. Some reports containing extracts from critical editorial content already published in South African newspapers were judged to fall foul of the regulations.

The president of the Association of Law Societies, Mr Roger Cleaver, described the press regulations as "a serious invasion of the fundamental common law rights of freedom of expression."

Victor Mallet adds from Lusaka: The ANC yesterday responded to Pretoria's clampdown on the media by calling for an intensification of the struggle to overthrow the government.

The latest press restrictions imposed by the Pretoria regime demonstrate that this regime has failed completely to suppress the struggle in our country," said a statement issued by ANC headquarters in Lusaka.

The ANC did not comment on the reported arrest of ANC activists in South Africa but said it expected the government to launch a murderous campaign against opponents of apartheid.

Colling on the United Nations to impose comprehensive and mandatory sanctions against South Africa, the ANC said: "The world body cannot stand by immobilised as the racists carry out the most horrendous crimes which they will try to hide behind the iron curtain of fascist censorship."



Zwelakhe Sisulu: detained

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TELFORD & SHROPSHIRE A Financial Times Survey. The Financial Times proposes to publish a survey on the way ahead on WEDNESDAY FEBRUARY 4, 1987. For further details, please contact: PAUL JEFFERIS on 021-454 0923. FINANCIAL TIMES Europe's Business Newspaper

OVERSEAS NEWS

UK NEWS

Japanese deny US claims on supercomputers

BY IAN RODGER IN TOKYO

JAPAN'S three manufacturers of supercomputers have denied US charges of unfair trade practices designed to block sales of imports in the Japanese market. "We do not believe the market is closed to US manufacturers," NEC said yesterday. The Ministry of International Trade and Industry (MITI) also denied reports that it was investigating supercomputer marketing practices. It said it would wait to hear the precise US charges at bilateral talks on electronics trade planned for next month. US trade officials said on Wednesday they were starting an investigation and were seeking consultations with the Japanese Government on whether government agencies had been excluding foreign-owned companies from their procurement lists. Supercomputer marketing is a difficult issue because the main customers are universities and research establishments,

Income tax aimed at Chinese wage gap

By Robert Thomson in Peking

CHINA is to introduce income taxes to try to narrow the ever-widening and politically-sensitive gap in earnings between workers who have turned reforms to their advantage and those on a set wage. Tax rates will be a maximum of 60 per cent of earnings. They are clearly aimed at big earners, as the minimum taxable income is four times the average wage, about £185 a year in urban areas. Diplomats say the policy of "allowing some to get rich first" has created widespread jealousy as private entrepreneurs have opened businesses that are providing them with incomes of 10 or even 20 times the average. While some workers on set wages have been content, others have taken second jobs and some have dropped out of the state job structure to run private businesses. The tax, which will apply from January 1, covers interest, dividends and bonuses given to efficient workers. The official Chinese news agency Xinhua quoted an official from the Ministry of Finance saying the "current policy of encouraging people to get rich will continue, but there must be a new tax to prevent the income gap from becoming too wide. "Thanks to the economic reforms, more and more people are earning extra income. While this is conducive to the effort to eliminate egalitarianism, this has made it possible for some people to earn excessively high incomes, thus straining the supply of goods."

Tokyo draft bill proposes cut in working week

BY OUR TOKYO CORRESPONDENT

THE Japanese are being encouraged to work less—but not yet. The Government's Labour Standard Council has submitted a draft bill that would reduce the maximum legal working week from 48 hours to 40 hours. Many regard this proposal as long overdue and increasingly urgent because of Japan's rising unemployment problem. The Government's Economic Planning Agency said in a recent report that Japan was "one of the most backward of the industrialised countries" when it came to reducing working hours. The average Japanese employee still works 1.5 months more per year than his or her US counterpart, the report said. The council's proposal, which is likely to be passed in the legislature next year and come into effect in 1988, would also raise the minimum number of annual paid holidays from six to 10 days. The council has suggested that small and medium-sized companies be allowed to delay the reduction in working hours for about three years. Companies should also be allowed to have longer working hours provided they had the agreement of employees. It would be the first major change in the Labour Standard Law since 1947.

Hong Kong official to leave post

BY DAVID DODWELL IN HONG KONG

MR JOHN BOYD, Britain's political adviser to the Hong Kong government, is to leave his post early next year in a surprise move that may aggravate anxieties here that Whitehall will have less control of political developments in the territory at a critical period of transition. The news comes less than a week after the sudden death of Sir Edward Youde, Hong Kong's governor. With the planned retirement next June of Sir David Akers-Jones as the head of Hong Kong's civil service, Britain will have lost three men entrusted with important roles in ensuring a smooth transition to Chinese sovereignty in 1997. The three formed the core of a tiny group responsible for gauging local concerns about the future, reconciling these with British foreign policy interests, and representing these interests in negotiations with Peking. Chinese plans to complete by 1988 a draft of the basic law which will put flesh on the bones of the post-1997 constitution contained in the Sino-British joint declaration on Hong Kong, has already begun to take the political initiative out of Whitehall's hands. Mr Boyd, who is expected to become a Deputy Under-secretary at the Foreign Office, leaves his post after just two years. Under normal circumstances he would have been expected to stay for at least four years. His successor will be Mr Richard Cliff, who headed the Foreign Office's Hong Kong Department in 1979-1984, and has had two postings to Peking. Sir David Akers-Jones's retirement has been planned for some months, but Sir Edward Youde's death has catapulted him into the position of Acting Governor, and turned on its head the plan to ensure a smooth transition for his successor, Mr David Ford. The latter was promoted yesterday to Acting Chief Secretary. Four Foreign Office candidates have so far attracted serious attention as potential Governors — Mr David Wilson, who heads Britain's team in the Sino-British joint liaison group; Sir Percy Cradock, a former ambassador to China and currently a special adviser to the British Prime Minister; Sir Richard Evans, ambassador to China; and Mr Alan Donald, ambassador to Indonesia.

David Fishlock on official concern over a nuclear plant's operations

Making Sellafield a safer place

SELLAFIELD, as 60,000 tourists—twice the usual number—have discovered this year, is a mélange of ancient and modern chemical plant.

The square mile of Cumbrian shore occupied by the factory is also Europe's biggest construction site, where its owner, state-owned British Nuclear Fuels, is pursuing a £2.5bn investment programme.

What began life as a wartime ordnance factory where shells were filled with explosive is being rebuilt as a nuclear factory for the next century.

But there is a long period when old, new and partly constructed must live harmoniously and, above all, safely together.

The factory reprocesses spent nuclear fuel with chemical treatments which separate unused fuel from waste products of nuclear reactions.

It is BNFL's biggest factory and biggest source of revenue, and Britain's biggest earner of Japanese currency. Mainly, because of this, BNFL could grow in the next 10 years to the present size of Unilever, Mr Christopher Harding, chairman, believes.

But its reprocessing activities could be shut down temporarily if it falls in the next year to comply with demands of the Government's nuclear inspectors.

Like inspectors of mines, factories and other potentially hazardous premises, nuclear inspectors have a right to override political or commercial considerations should they deem a facility to be unsafe.

Their threat to Sellafield was made public on Thursday when the Health and Safety Executive disclosed the findings of a £650,000 special audit, made in addition to its routine surveillance of safety, last summer.

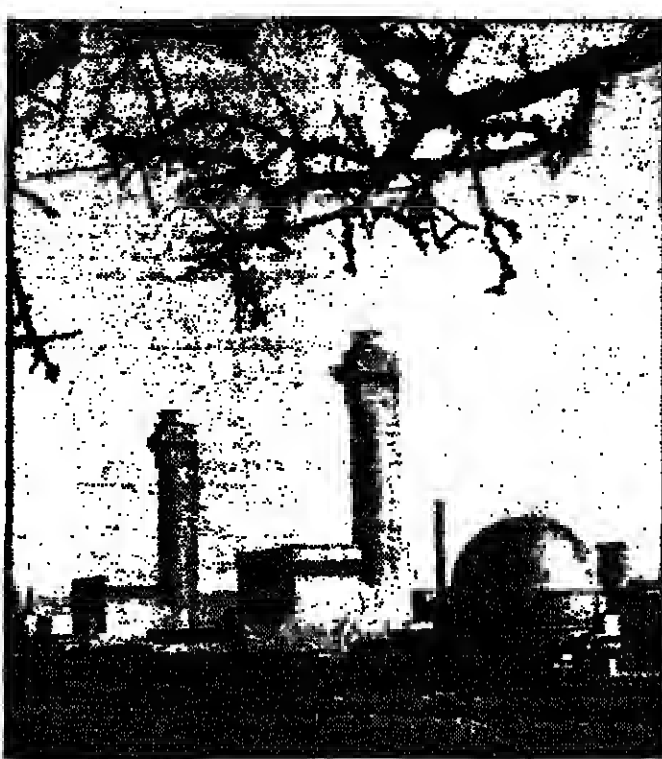
Mr John Rimmington, director-general of the executive, ordered the audit after a highly publicised series of radioactive "leaks" early this year. In fact, such an audit was already planned when the leaks happened. The inspectors say in their report: "The shift in focus from old to new, from less safe to much safer, is capable of diverting attention and resources from the older part of the site and the established processes."

The site comprises about 100 buildings, some under construction and some long-disused. Many are substantially contaminated and some have long stored radioactive wastes.

The inspectors say they have been increasingly worried both at the state of some plants central to operations and at the difficulties created for day-to-day management by the growing burden of nuclear wastes.

About 90 per cent of all radioactive waste from Britain's civilian reactors is stored here. In February, after a "surge" of minor incidents, the inspectors launched their audit by a team headed by Mr Jim Hannaford, deputy chief nuclear inspector. His aims were:

- To assess the state of the plant.
● To question management policies and priorities.
● To examine the cause and severity of all leaks since 1979.



Sellafield: About 100 buildings, some being built, some disused

pressing the inspectors say, because no matter what political decisions the future may hold for nuclear energy in Britain, these plants "must continue to operate for many years to come."

One illustration they give of management's concern with short-term requirements at the expense of long-term considerations is the control room of the reprocessing plant itself, the heart of Sellafield's operations, which visitors are proudly shown. The inspectors say it has been so greatly adapted that it no longer presents a clear summary of the state of the plant to its operators.

In some Sellafield operators, the inspectors say they detected "an attitude to their own safety which is in a number of respects 'insufficiently thorough.'"

As for Sellafield management, they find in the case of the reprocessing operation it has not been in sufficient command or sufficiently well resourced.

Despite recommendations made in 1981, in the last big audit, the inspectors think management has yet to achieve the right balance between the authoritative advisory role of the safety committees and the responsibility of line management for safety of operations.

One building—not on the tourist itinerary—with which the inspectors say they are particularly dissatisfied is used for storage of waste which arose from the old Windscale pile, shut down 29 years ago.

Nevertheless, in complete contrast to public perceptions about Sellafield, the inspectors believe that its notorious leaks have lessened both in number and severity since 1979. They say there has been no serious incident within the factory fence in recent years and none that has affected the health and safety of the public in any measurable way.

BNFL has its priorities right in trying to reduce regular emissions of radioactivity and the exposure of its employees.

But the inspectors are critical of the fact that, in applying these priorities, management's attention might have been diverted from the need to replace plant, skill and management in potentially hazardous parts of older plant.

The problem is the more they see and bear.

Shipping fleet 'could fall by 80% in 10 years'

By Kevin Brown, Transport Correspondent

THE General Council of British Shipping has warned the Government the number of large ships owned and registered in the UK will fall by more than 80 per cent within 10 years unless owners are given fiscal incentives to invest.

Mr Garry Runciman, president, said the number of UK-owned and registered ships of 500 gross tons or more would fall from 566 to fewer than 100 by 1995—far short of strategic needs. It compared with 1,143 ships six years ago and 1,614 in 1975, when the fleet reached its peak.

Mr Runciman was responding to the announcement by Mr John Moore, the Transport Secretary, of plans to establish a Merchant Navy Reserve and to offer financial help to ship-owners to train and maintain crews.

Mr Runciman said the measures were useful so far as they went. They were no substitute, however, for the restoration of 100 per cent capital allowance on ship investment, abolished by the Chancellor in the 1984 budget.

Much of the British shipping industry had remained profitable only by transferring existing ships to overseas registers. Those ships could not be counted on to be available to the Government for defence purposes in an emergency.

Mr Runciman said: "When it comes to reinvestment, British owners are likely to build or buy, if at all, not merely for foreign registry but for foreign ownership."

Ships bought or built would be held in subsidiaries outside the UK tax net and be subject to those conditions, such as seafarers' nationality, attached to fiscal advantages offered by countries other than the UK.

The Government had not begun to address the threat to the strategic importance of the merchant fleet and appeared not to recognise the fundamental problem of investment.

A fiscal regime comparable to that available in other countries, was necessary, Mr Runciman said.

ends
Last ditch EEC bid for farm reform
Swedish inflation
Calm in Zambia
Philippines debt
Malta agreement
China-India row

A FINANCIAL TIMES SURVEY

UK Industrial Prospects

Monday January 5, 1987

The Financial Times proposes to publish a Survey on the above. The aim of this Survey is to assess the prospects for a number of key industries in the coming year. The main emphasis will be on the UK but the international context will be fully analysed and described. The articles will be illustrated by charts and tables and will contain profiles of individual companies. Important trends affecting each sector will be discussed.

Introduction
A review of 1986 with reference to production trends in key sectors, imports and exports, technological changes, changes in structure and the impact of government policy. The outlook for growth in 1987, world trade prospects, likely changes in competitive performance.

Economic Outlook
Prospects for demand, corporate profitability, capital spending.

Takeovers
Some very large mergers have changed the shape of several British industries. How are they likely to affect performance and will they continue?

Technology
How has technological change affected the major industries? Is the process accelerating?

Management
An assessment of the quality of management in British industry.

The rest of the survey will consist of detailed forecasts for each of the following sectors:

- Machinery (mainly capital goods)
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Securities
Aerospace
Steel
Food Processing
Consumer durables (white and brown goods)
Pharmaceuticals
Textiles and Clothing
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Derbyshire inquiry to go ahead after six-year fight

BY KEVIN BROWN AND IVOR OWEN

THE GOVERNMENT bowed yesterday to pressure from seamen's unions and opposition MPs for a full inquiry into the loss of the British cargo ship Derbyshire...

rocks off the coast of County Cork. Preliminary inspections by surveyors from Lloyd's indicated that damage which the Kowloon Bridge sustained on a voyage from Canada was not similar to the cracks around a vital hold which have been suggested as the cause of the loss of the Derbyshire...

State shipyards lose £51m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH SHIPBUILDERS yesterday announced a loss of £51m in the six months to September 30. The publicly owned corporation blamed the depressed world shipbuilding market...

slips could be built at a profit in the foreseeable future. EEC transport ministers are to decide on revised regulations for shipbuilding subsidies this month...

BT to shed 400 jobs at its Fulcrum subsidiary

FINANCIAL TIMES REPORTER

MORE THAN 400 jobs are to be shed at Fulcrum Communications, a British Telecom subsidiary which makes and repairs telecommunications equipment...

Amstrad to launch PC in US

By David Thomas

AMSTRAD, THE fast-growing consumer electronics and computing group, is poised to enter the US personal computer market now it has found an American distributor for its new low-cost IBM-compatible machine...

BBC offers £3.4m to start world TV service

By Raymond Snoddy

THE BBC yesterday offered to fund the £1.4m start-up cost of a television version of the radio World Service and contribute £2m towards the first-year running costs of £7.8m...

Philip Stephens previews talks between Nigel Lawson and James Baker

Pressures for an economic accord

THIS WEEKEND's lightning tour of European finance ministries by Mr James Baker...



James Baker (right) meets Nigel Lawson for one of a series of informative talks with European ministers

The official message from Washington and European capitals is that his bilateral meetings will be informative rather than substantive. Mr Baker is expected to bring his counterparts up to date with US efforts to cut its budget deficit and on the renewed threat of protectionism when the new Democrat-controlled Congress begins sitting in January...

European governments are sceptical that in the medium term the so-called Baker-Miyazawa pact will prove substantive. They are equally aware, however, that over a short time span it may well mean that the burden of any further dollar devaluation falls on European currencies...

West Germany's general election in late January preclude for the time being a commitment by Mr Stoltenberg on the sort of action Washington is seeking to generate faster economic growth in Europe...

France has been irked by the Bundesbank's decision to let German interest rates rise in the last few weeks. This, together with the French student unrest up to last weekend, put considerable pressure on the franc...

BUNDESBANK DEFENDS POLICY

The West German Bundesbank yesterday moved to dampen criticism from France that its monetary policy was damaging the position of the franc in the European Monetary System...

Commitment to Awacs denied

BY IVOR OWEN

SUGGESTIONS that the Government is committed to buying the Airborne Early Warning System from Boeing of the United States...

Conflict on futures jurisdiction

BY ALEXANDER NICOLL

A DISPUTE is brewing among two of the new self-regulatory organisations for London investment markets, over which should oversee firms dealing in financial futures and options...

Mod welcomes Drops contract inquiry

BY IVOR OWEN

THE Ministry of Defence will be cleared by an inquiry into the handling of the £230m contract for a battlefield ammunition transporter...

Kinnock stands firm on defence policy

BY PETER RIDDELL, POLITICAL EDITOR

THE DISPUTE over Labour's non-nuclear defence policy has intensified with a fresh Conservative attack and a reaffirmation by Mr Neil Kinnock...

Welsh body lets record factory space

BY ROBIN REEVES

A RECORD 2.03m sq ft of factory space, with the potential to create 6,300 jobs, was let by the Welsh Development Agency in 1985-89...

Economic Diary

TODAY: EEC Agriculture Council meets in Brussels (until December 14). MONDAY: Retail sales (November) provisional. Food facts (third quarter) CEI monthly trends equity (November)...

Boost for Ulster jobs

BY OUR BELFAST CORRESPONDENT

THE RISE in unemployment in Northern Ireland will slow over the next year partly because of increased public spending, says an economic review published yesterday...

Reshuffle at Woolworth

By David Churchill

WOOLWORTH Holdings, the retail group with stores including F.W. Woolworth, B & Q and Comet, yesterday announced a restructuring of senior management...

BASE LENDING RATES

Table listing various banks and their base lending rates, including ABN Bank, Adair & Company, Allied Arab Bank, etc.

Advertisement for Providence Capital, featuring a logo and text: 'THE UNIT TRUST PEOPLE'.

I.G. INDEX

Table showing the I.G. Index for December 1987, with values for FT 1271.253 (-9) and Tel: 01-828 5699.

Two years of growth envisaged

BY TONY JACKSON

THE EUROPEAN paper industry faces two further years of good growth and profitability, according to Mr David Clark of the Paris-based European Paper Institute.

Speaking at a Financial Times Conference in London, Mr Clark said: "We are now entering the fourth or fifth year of good market conditions—the best period we have had for many years. There is no reason why 1987 and 1988 should not continue the same."

Europe had become very dependent on international exports, especially to North America, he said. In two years exports to the US market had added 1m tonnes to European production and sales. From being an importer of technology from North America in the past, Europe was increasingly becoming an exporter.

European pulp and paper companies are now investing in North America, and in some cases selling their technology to American producers," Mr Clark said.

Mr Roe Arrell, of Jaakko Poyry, the Finnish consultancy, questioned whether the paper industry's concentration on process technology had been to its advantage.

"Instead of getting cheaper because of output, new mills have not more expensive in real terms," he said. "These increased costs have not yet been passed on to the customer."



Pulp & Paper

The openness of the industry in sharing technology was a further important reason for inadequate profitability, he said. It encouraged equalisation of cost structures between companies, and many products rapidly became commodities.

Mr Richard Williams, from Kermow of the UK, said there was scope for increased use of minerals such as clay and calcium carbonate in paper making. In coated mechanical paper alone, new capacity called for a 500,000-tonne increase in mineral use.

Mr Williams said the revolution in the newspaper industry could create a need for mineral filler in newsprint. "Should all North American and European newsprint be filled with only 5 per cent filler, a market for 1m tonnes would be created," he said.

Mr Denis Xavier Destremau, of the Association Forest-Papier

of France, said there was great scope for increasing the yield from forests. Production from natural forests was only 1 per cent of the theoretical maximum. Forestry and biotechnology techniques could increase this by a factor of 10 or more.

Mr Jori Pesonen, from Valmet of Finland, which is now the world's biggest maker of paper machinery, said he expected the total world market for new paper machines to be about 60 start-ups a year for the next 10 years.

The largest number, about 51 a year, would be for south-east Asia, but these would be small machines. At the same time more than 140 machines would be modernised each year, mostly in western Europe and North America.

The trend towards efficient mills which could also afford to invest in environmental protection was forcing up the average size of machines. "The size class of paper machines of under two metres in width will probably disappear," Mr Pesonen said.

Mr William Wesson, who heads the international business section of Scott Paper of the US, said his company had identified the EEC market for tissues as its largest single opportunity anywhere in the world.

He conceded that the European market had modest growth

and was very unlikely to reach levels of per capita consumption approaching those in the US, but it ranked alongside North America as the key to the world personal care business.

In the past four years, Scott had made a complete change in its management culture. Its overseas operation had mostly been in the form of joint ventures, and the group had treated them as investments rather than managing them directly. It has bought out a number of its joint venture partners, including Bowater in the UK.

Mr Casimir Ehrnrooth, chairman of the Finnish company Kymmene-Stromberg, said Finland was not employing a strategy aimed at dominating EEC markets. Until 1984 the nation's market share within the Community had been 8 per cent, and had reached 10 per cent in 1985 without endangering the local industry.

"Finland must be seen as the complementary supplier to the strong Community industry," he said.

Dr Siegfried Meysel, chairman of Leykam-Murata of Austria, said timing was of paramount importance in a highly capital intensive industry such as paper. This meant choosing the right time for investment and implementing the decision as quickly as possible. It also meant adjusting to market changes faster than competitors.

Call for 'non-linear innovation'

BY DAVID FISHLICK, SCIENCE EDITOR

ONE of the most damaging ideas to the exploitation of science is the simple, progressive model of innovation, according to a joint report by the chairman of two of the Government's top scientific advisory bodies.

According to this model, there is a linear sequence of basic, strategic and applied research, experimental development, design and, eventually, a marketable product.

In fact, successful exploitation of science "comes from the interaction between research and the market place at all levels and in all directions," according to Sir Francis Tombs, chairman of the Advisory Council for Applied Research and Development (Acad) and Prof Sir David Phillips, chairman of the Advisory Board for the Research Councils.

"Sometimes the product comes first, and the research follows," they say, citing the steam engine and penicillin. Sometimes basic and strategic research and development, all proceed simultaneously, as seems to happen in Japan.

The authors want to foster a community of interest between the academic world and industry, and say there are encouraging signs that this will happen.

"They cite the Alvey programme for research into information technology, and the joint opto-electronics research scheme.

The Link research programme announced by the Government on Wednesday is a more broadly based scheme of this kind, seeking to give academics an indication as to the areas of research which

most interest British companies.

The new freedom of universities to exploit ideas themselves could have far-reaching implications for the way universities relate to commercial exploitation, they say.

So far, 33 universities or university colleges have been authorised to do their own exploitation, and to retain their share of royalties or receipts.

Warmly welcoming this initiative, the authors say benefits will flow both to the economy and to the individual institution.

"But more generally we see benefits arising from a changed climate of opinion within universities towards industry and exploitation."

The science base and industry: Second joint report from the chairman of ACARD and the ABRC. HMSO, £3.80

Kaye Pechiney bought out in £4m deal

By Charles Batchelor

A MANAGEMENT team from Kaye Pechiney, the UK subsidiary of Pechiney, the French nationalised aluminium company, has bought out the bulk of the company's operations in a £4m deal.

The company, which has operations in Doncaster, South Yorkshire, and Enfield, Middlesex, makes aluminium extrusions, specialising in door and window parts for the building industry. It has been renamed Kaye Aluminium.

The buy-out team was led by Mr John Hargreaves, 47, the factory and production manager, and Mr Neil Paddon-Smith, 44, the sales manager.

The managers have put up £112,500 for control of the company with the rest from an investment syndicate.

Service sector unionisation 'limited'

By Philip Basset, Labour Editor

Trade Unions are unlikely to be able to organise more than about one-third of the 6m workers expected to be employed in service industry growth areas by 1990, said Mr John Edmonds, general secretary of the General, Municipal and Boilermakers' Union.

Speaking yesterday to personnel managers at an Industrial Society conference, he said current unionisation levels in these areas, such as hotels, catering, fast food and cleaning, stood at 10 per cent to 15 per cent. There was a difficulty increasing membership, but high labour turnover and anti-union management attitudes meant sustaining it was difficult.

Manufacturing and service industries were becoming more closely intertwined, as many manufacturing companies contracted out peripheral services such as cleaning or security.

Mr Edmonds warned against the development of a two-tier workforce, with manufacturing and public utilities at its core and a secondary tier of service sector employment—all buttressed by a "sub-stratum" of unemployment.

On union law, he acknowledged unions now accepted the law's role in industrial relations. These union members who did not were no longer listened to.

Though they might not like it, unions recognised limits had to be placed on certain aspects of their behaviour by a society which would no longer tolerate them.

This was a "very significant change" in trade union thinking over the past three years. Union and Labour Party considerations about the law were now about its balance, not about whether it should be in place.

The Confederation of British Industry, the employers' organisation, also called for balance in employment law yesterday. However, it said it saw no need for fresh legislation to bolster individuals' rights, a central strand of Mr Edmonds' argument which has now been adopted by the TUC and Labour Party.

Cunard hotel employees vote for severance terms

BY CHARLES LEADBEATER, LABOUR STAFF

HOTEL STAFF on the QE2, the Cunard cruise liner, have voted overwhelmingly to accept severance terms offered by the company allowing it to replace them with crew supplied by a manning agency.

The vote reflects the competitive pressure in the industry generated in the last 18 months by the large number of companies which have brought in foreign crews on lower rates of pay.

Cunard's move to use a manning agency could have far-reaching consequences for manning arrangements throughout the industry.

Just over 76 per cent of the 795 stewards, bar tenders, and kitchen staff voted to accept the offer of one year's salary, plus £900 per year of service to buy them out of their employment contracts. Only 47 rejected the offer, and 140 did not return ballot papers. Cunard estimates the redundancy package with cost about £13m.

The employees are all members of the National Union of Seamen, which had urged staff to boycott the ballot. The union yesterday said it would prevent the liner sailing if Cunard employed non-union crew on lower rates of pay.

The union's executive council will hold a special meeting over the weekend to discuss what action to take. The union has already contacted seamen's union in other countries to enlist their support.

The union may use an executive council by law, agreed last month, which allows the NUS to expel members taking voluntary redundancy to let a company introduce manning agency labour.

Catering workers expelled from the NUS would be unlikely to find work on any other UK vessel, because the national agreement with the National Maritime Board allows the union to operate a closed shop.

However, expulsion of the catering workers could add to strains on the system, which have led the NUS to seek urgent talks with the General Council of British Shipping to discuss reforms. Some NUS officials are arguing the union should set up its own manning agency, or "union hiring hall."

Cunard expected many staff members to continue working on the QE2 but on a manning agency contract. However, the NUS was certain foreign workers would take the jobs on lower rates of pay. Catering staff who rejected the company's terms may be offered jobs on other Cunard vessels.

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Senior council officers' pay rose 9%, says survey

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE PAY of the 6,000 most senior officers in local authorities has risen by an average of 9 per cent in the year to last April, according to an employers' survey.

Some of the average increase is attributable to individual authorities' discretion. Employers' leaders will therefore be able to use the figures to counter the Government's case that it is the centralised nature of pay determination in local government that causes high settlements.

The survey, conducted by the Local Authorities Conditions of Service Advisory Board, shows the pay of 488 council chief executives rose by an average 9.2 per cent over the year.

The salaries of 3,357 chief officers increased by an average 8.5 per cent, and those of 2,354 deputy chief officers by 8.3 per cent. The rises compare with pay settlements of 5.6 per cent and 6 per cent in 1985 and 1986 respectively for 600,000 other council white-collar staff.

Since April, chief executives have accepted a further 5.5 per cent basic increase, coupled with a comparability review of similar jobs in the private sector, and chief officers and

Unqualified teachers offered premium salary

By Our Labour Correspondent

THE London Borough of Croydon is responding to the shortage of science teachers by offering premium salaries to graduates without teaching qualifications.

The move, which is likely to draw an angry response from the teachers' unions, will provide further ammunition for the Government's argument for better pay incentives to attract teachers in specialist fields.

Croydon has received about 150 responses to an advertisement in the New Scientist magazine offering salaries by agreement to recruits prepared to move from industry into teaching.

When the authority advertised for science teachers in the educational press, it says it received no inquiries.

Mr Donald Naismith, Croydon's education director, said yesterday the borough was offering starting salaries above the entry grades in the national Burnham teachers' pay scale. Recruits would have in-service training.

Mr Naismith said the response to the recruitment initiative proved the Government's case for higher incentives for shortage-subject teachers

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APPOINTMENTS

Chief executive of Nestle

Mr Frank Edwards, managing director of Indus, becomes the new managing director and chief executive of NESTLE COMPANY. He will succeed Mr R. A. Wilson, who will continue to be chairman of Nestlé Holdings (UK).

Mr Brian Gifford, managing director of DATAPOINT (UK), has been promoted to regional vice president.

Mr Don Anderson has been appointed regional director of NATIONAL WESTMINSTER BANK's outer London region. Mr Anderson, who succeeds Mr Andrew Hirst on his retirement, has been deputy regional director since 1985.

become deputy managing director, sales and marketing.

Mr Terry Shrimpton has been appointed to the newly-created post of national sales manager for the UK in the division of PRUDENTIAL ASSURANCE. Mr Shrimpton, who joins on January 1, was regional manager (South) for Rank Xerox.

CLARKSON PUCKLE GROUP, member of the Deloitte Group, has acquired Bradford brokers, W. Dairymple and Son, which has merged with Clarkson Puckle. Mr Geoffrey Hirst is appointed a director, and Mr David Dalrymple an associate director of that company.

Mr Simon Barrow is to become chief executive of CHARLES BARKER HUMAN RESOURCES early in 1987, succeeding Mr Roddy Bradshaw who is retiring, but who will remain a consultant. Mr Barrow is currently deputy chairman of Ayer Barker, the group's consumer advertising agency and will remain a director.

AQUASCUTUM GROUP has appointed Mr Stuart D. Chandler to the new post of group managing director from March 1. He has joined the board. Mr Hollander has been senior vice president of Kurt Salmon Associates and managing director of its European division. He was a director of Vantona Viyella and chief executive of its uniform division. Mr Michael M. Walter, group marketing director, will

Mr Don Anderson has been appointed regional director of NATIONAL WESTMINSTER BANK's outer London region. Mr Anderson, who succeeds Mr Andrew Hirst on his retirement, has been deputy regional director since 1985.

BROWN, SHIPLEY & CO has appointed Mr Michael Halsey group financial controller.

SALOMON BROTHERS INC has named Mr C. Daniel Tress as head of international corporate finance. He will be moving to the London office. Salomon Brothers International on January 1. Mr John G. Brian, managing director, will continue to head European corporate finance at Salomon Brothers International. Mr Tress is currently a managing director in the merger and acquisitions group in Salomon Brothers' New York office.

Mr Norman Crawford has been appointed director of finance and administration for MANCHESTER AIRPORT and will take up his post in January. He replaces Mr Roger Hepworth who has retired.

TARGET GROUP has appointed Mr Robbo E. Landon as group finance director. He is with Standard Chartered as group

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SMALL SHAREHOLDERS

After Sid, the doubts set in

By Nikki Taft and Richard Tomkins

Two nations of rentiers

THE DOLLAR and sterling have both been quite strong in the past few days, after a period of intense weakness; but the most plausible explanation seems to stand logic on its head. The dollar has recovered because private capital is flowing in, while the pound has benefited from the fact that capital has been flowing out. To turn the paradox round a little, the dollar is benefiting from the fact that Japan is becoming a nation of rentiers (who prefer dollar assets) and sterling from the fact that Britain has resumed that status.

Thanks to the combined effect of North Sea oil and the abolition of exchange controls in 1979, the British private sector has been able to acquire enormous net assets overseas — the highest in the world, per head of the population. Japan's private sector claims are somewhat higher in total, and still growing rapidly. The country is also amassing enormous official reserves, so that foreign income will become more important in the Japanese national income accounts than in the British, but the two will still share an underlying similarity which marks them off from all other major economies (though not, for example, from Switzerland or some of the Gulf States).

It is the income from these investments which has boosted Britain's invisible current account surplus from a little over £5bn last year to an estimated £8.5bn this year according to City projections. This flow will continue growing, reaching perhaps £14bn before 1990. The markets have been rather slow to wake up to this. This does not mean that sterling is shockproof on any likely projection of the deficit in merchandise trade, which is generally expected to reach £10bn next year, because British pension funds still like foreign equities and British companies are still making acquisitions and building plants overseas.

Underlying strength It is this capital outflow which has kept sterling so weak, and it is the need to attract foreign capital — mainly short-term banking money — to finance part of it which has created the enormous gap between UK and overseas interest rates. Part of Britain's foreign capital, in short, is being financed on a very expensive mortgage. All the same, the underlying strength of the current account has reassured the markets and recent talk of high oil prices has helped the currency to rise quite strongly. This, in turn, has helped to attract some longer-term foreign capital to the gilt market.

Looking ahead, the prospect for sterling looks substantially stronger. The current rate of consumer borrowing is clearly unsustainable, and it is con-

"I NEVER made any estimates of how many people would apply for shares in British Gas," said Energy Secretary Peter Walker last week as he faced up to the fact that the number of applications was falling somewhat short of expectations.

"All I ever said is that by the next election there would be more than 10m people owning shares in this country compared with 2m in 1979, and this issue is going to add an enormous number to the 7m we already have.

Well, British Gas's shares made a highly satisfactory debut on the stock market this week, and in no sense could the issue be described as a flop. Yet the lower key than expected response from the British public inevitably poses the question: Is the Government's wider share ownership bandwagon running out of steam?

On the evidence of the British Gas response, it seems at least to be on an uphill gradient. The final tally of 4.5m applications was well short of the 5m received for the much smaller TSB issue two months earlier, and came nowhere near the widely-predicted 6m to 8m applications.

The advertising campaign itself has come in for widespread criticism. The "Sid" campaign certainly succeeded in creating a high level of awareness, but there are those within the advertising industry as well as outside it who wonder whether it was so infuriating and patronising that its effects were negative in terms of translating that awareness into action.

Other theories have included the possibility that people were not sufficiently aware of the deadline for applications, or that people were misled into thinking that more than one application per household would constitute a multiple application and bring the threat of prosecution. The true explanation, according to real-life Sids, is simpler.

"I suppose, to be honest, I'm motivated almost entirely by greed when it comes to these flotations," says Howard Smith, a 33-year-old warehouse manager in Birmingham.

"I went for Laura Ashley and TSB because everyone was talking about how much money there was to be made from them. I was going to go for British Gas, too, but towards the end, a lot of people on the television and in the newspapers were saying it was unlikely to yield a big profit, so I decided to steer clear." In other words, it was simply a matter of price. But if that is the case, what was the motivation behind the very large number of people — many of them, presumably, first-time investors — who did buy the shares?

Says a 28-year-old Sheffield office worker who bought (and sold) share for the first time in British Telecom and TSB: "It's increasingly obvious that these Government issues are bargain basement offers, and I thought the perks made it a very attractive medium-term investment."

A 34-year-old London account-



tant, for whom this was a first share investment, adds: "I'm still kicking myself for not having applied for British Telecom and TSB. If the shares go to a 20 or 30 per cent premium, it will make a nice Christmas bonus."

Market research on levels of interest in flotations before and after the price is announced reinforces this point. In the British Telecom flotation, the "certain to buy" figure leapt from 1.2m to 3.3m in the wake of favourable press comment over the pricing, and in the TSB flotation the figure jumped from 2.6m to 4.5m. The British Gas figure moved only from around 5m to 6m, and press comment at the time suggested the issue was not going to be another give-away.

The point is not that there is something wrong with buying on the basis of price, but the extent to which the notion of windfall profits has become a prime motive does create doubt about how far the Government is succeeding in changing fundamental attitudes towards share ownership.

Just two years ago, in late 1984, the total number of private shareholders was put at around 2.4m, of whom perhaps 750,000 (on Inland Revenue estimates) were accounted for by employee share schemes. But the success of British Telecom's stock market launch in November produced a share register comprising a hefty 2.1m individuals. On the basis of the usual surveys of 1,000-2,000 people, Telecom is reckoned to have added around 1.6m first-timers to the share-owning demography.

This autumn, the TSB started life as a quoted company by making £15m share allocations. The figure includes an element of double-counting for priority applicants who also picked up some non-priority shares, but the institutional numbers were small. In total, the TSB may have added another 2m newcomers.

And in between the two mega-boats, the likes of British Aerospace, Britoil, Cable & Wireless plus larger private-sector new issues — Underwoods,

Laura Ashley, Hilldown, Wellcome and so on — are estimated to have pulled in a further 300,000. To reach the 7m total, it is necessary to add only the additional 750,000 individuals the Inland Revenue estimates to be in employee share schemes.

One problem is that this total does not seem to take much account of the subsequent shake-out in the larger registers.

British Telecom saw the number of its private shareholders shrink rapidly to 1.6m in the first six months, and then drop more gently to 1.57m over the following year.

The TSB, meanwhile, is still waiting for its register to settle; initial internal estimates suggest that it is already down to around 2m-2.5m individuals — a drop of some 1m-1m people since launch day.

This would mean that even if British Gas has pulled in the 1m-2m new first-timers that some advisers to the issue are suggesting, it may have done little more than hold the aggregate number of British shareholders steady.

Even so, 2.4m to 2m in two years is no mean feat — whatever the issue pricing or advertising means that achieved it. More questionable, is where "wider shareownership" goes from here.

The key point is that most British shareholders have stakes

less than three companies. According to research by Dewe Rogerson, advisers on the British Telecom, TSB and British Gas floats, the number of people holding one company's shares only post-TSB totalled 4.1m and the number holding two a further 1.1m. The more committed — those with shares in over six companies — totalled just 800,000. Little changed from 1984. A similar breakdown though, with proportionately smaller figures, was produced by the Stock Exchange's own survey pre-TSB.

On the other hand, research suggests that there is a broadening social base of shareownership; according to the Stock Exchange survey, some 58 per cent of shareholders belonged to the C, D, and E socio-economic groups. The more recent Dewe Rogerson figures put 65 per cent of shareholders in the C, D, and E classes, compared with just 46 per cent in 1983.

As the Stock Exchange chairman, Sir Nicholas Goodison commented in this year's Templeton lecture, "Let us not instantly jump for joy at these crude figures. It is certainly pleasing that the total number of people who own shares directly has risen... but we have a very, very long way to go before we can say that shareholding has become a habit."

Quite where the forces to encourage that habit will now

come from is unclear. The most obvious answer is future privatisations. Yet with the Government clearly sensitive to the charge of underpricing and given the nature of the next few candidates, the auguries for significant expansion from this source do not look good.

Next to come is British Airways; a company with a humpy profits record in a high-risk business. As much as 20 per cent of the stock may be sold to overseas investors and although they deny that they have a target audience in mind, the advisers do seem to be looking towards those ABCI investors who are "natural equity holders". If, of course, the price makes over-ample allowance for BA's underlying business fluctuations, Sid may bounce back in; but the marketing is unlikely to be out to catch him. Much the same can be said for British Airways Authority and Rolls-Royce.

Longer-term, the only impending Government issue which looked likely to approach the same league as BT or British Gas was the water authorities, which, if sold together, could raise anything from £5bn to £7bn. That sale, however, has now been switched until well after the next election.

Short-term, at least, then, expansion of wider shareownership may need to look elsewhere. Six months ago, their

eyes might have alighted on the new Personal Equity Plans which are due to come on sale in January. In theory, the idea of offering tax breaks on share-based portfolios of up to £3,400 looked just the boost share-owning needed.

In practice, the mass appeal of PEP's looks doubtful. In order to keep costs down, most plans will incorporate a substantial unit trust element and give plan managers discretion over the equity content. Sid has responded cautiously to a decade of unit trust and investment advertising — in 1970 the number of unit trust holder accounts was 2.4m, today it is 3.2m — while hull markets were in full flight; is he likely to be swayed by a glorified form of these now?

Prospective PEP managers themselves, however, are anything but disheartened. Fidelity, which has already embarked on a hefty advertising campaign reports some 30,000 enquiries. The end of advertising tentatively estimates 60,000-80,000 plans in force by end-1987, and says a "significant minority" of those responding to the advertisements have never invested before.

And it's surely worth noting that even the Budget arithmetic assumed just 1m PEP investors in year one. Given that a good chunk of that will represent those "high net worth" investors, the actual expansion of Britain's shareholder base may be very limited.

So does that mean wide share ownership, like skateboards, has come and gone leaving a heap of share certificates festering quietly at the bottom of the nation's cupboards? Not quite.

Perhaps the best testimony comes from the larger regional stockbroking firms — like Stancliffe or Henry Cooke Lumsden — which claim that new private clients are currently coming on to the books at a rate of about 40 a day.

"It's quietly building," comments one partner, "but I'd find it difficult to put my hand on my heart and say privatisations are why we're busier than we've ever been. The inheritance of houses is as powerful a motor as anything."

And there the key may rest. Share ownership — with its attendant risks and rewards — is largely a function of affluence. Sid may be wooed by the odd no-risk punt, but he is unlikely to adopt the habit until the mortgage is paid, and he has a spare bob or two in the building society.

It is a telling point that around half the people who said they were not interested in British Gas gave lack of money as a key reason. That compared with only 29 per cent who said they had no interest in owning shares and around 18 per cent who expressed renationalisation fears.

The final determinant of course, is the market itself. Where that goes is anyone's guess. But if the steam has evaporated from the great bull trend, perhaps a slowdown in wider share ownership is no bad thing.

SHARE OWNERS

Table with columns: What they own, Who does the buying, How many companies do you currently own shares in?, Approx. No. of people, SEX, AGE, CLASS AB, C1, C2, DE. Includes data for One, Two, Three, Four, Five, Six to Nine, Ten to Nineteen, Twenty or more, Not sure, Base: All shareholders.

AS FRENCH student leaders gathered on Thursday night in the crowded lecture hall at Jussieu university in central Paris for what proved to be the final meeting of their national co-ordinating committee, they were awestruck at what they had achieved.

In three weeks they had got the government of Mr Jacques Chirac to withdraw its university reform bill and postpone much of its legislative programme; they had created divisions within his administration and possibly crippled his chances as Presidential candidate, and they had raised questions as to whether student power will remain a force to contend with.

Amongst the 14 members of the executive committee which has steered the protest movement — they sat facing the student body through the long night of Thursday like a judicial panel — there was recognition that the movement's success had been due to an extraordinary mixture of tenacity and cool headedness on the part of the students and blunders by government. It is a combination which will not necessarily recur in future.

Unlike most other popular movements which have shaken governments in France's history, the students' revolt began in the provinces rather than Paris and at first threw up no clearly acclaimed national leaders. It was the executive committee which ran the movement, reporting to a national co-ordinating committee which included five delegates from each of the country's 74 universities. It was a surprisingly unwieldy structure given its effectiveness.

The first stirrings of protest against the bill — which would have imposed more rigorous selection procedures on entry and increased admission fees — came in universities like Amiens, Lille, Caen, Bordeaux and Marseille. It was strongest where the two left-wing student unions Unef and Unef-ID (which embraces dissident, often anarchist and Trotskyist groups of the extreme left) were most active.

The first meeting of a

People in the News

The French students

Savouring a rare taste of power

By David Housego



national co-ordinating committee was at Caen in early November with the Paris universities sending only observers. Although they account for a third of student numbers, the Paris universities did not really enter the movement until the calling of an "Estates General" representing all the universities at Jussieu on November 22.

Only two names from the movement have received much publicity: David Assouline, 27, has been the most influential figure and the one who led the student delegation to the fatal meeting with Mr Rene Monory, the Minister of Education, after the mammoth demonstration on Thursday, December 4. Dark

haired, with sunken cheeks and piercing eyes, he is the oldest member of the executive committee and has long been active in the Paris underworld of Trotskyite and non-Communist splinter groups of the extreme left. His effect on Mr Monory was like a red rag to a bull. The Minister gave a hunt no to student demands to withdraw the bill.

The other student to win a national reputation was Isabelle Thomas, the vice president of Unef-ID. She was effectively the movement's leader in its early days. However, the attractive Miss Thomas subsequently made the mistake of allowing Paris-Match to photograph her in black tights and holding a

champagne glass. She was subsequently voted off the committee. The committee members mostly look middle class. Committee member Vincent Guicharnaud's father is an engineer and he had been planning to come to Birmingham university this year to study economics. Committee member Vincent Ferrari Luis' parents are university professors who followed the movement with "attention but some

dislike. The students now expect to be drawn into consultations over the future of schools and universities. They have said they intend to press for the Government to abandon completely the new nationality law making it harder for immigrants to gain French citizenship.

In the early hours of yesterday morning the students finally decided to dissolve the national co-ordinating committee as having served its purpose. But they can easily mobilise again either through the students' union or by creating a new machinery. The threat they pose has only receded. If another clash is to be avoided, Mr Chirac will be well advised to tread warily.

Even the leaders were surprised at the speed at which the movement gathered momentum. Swelling its support were a host of factors — worries over jobs and qualifications, opposition to a system that seemed likely to make access to university more dependent on family and financial means, and the high-handed way the government sought to impose the bill.

"Nothing will ever be the same again," said a giant slogan outside Jussieu yesterday. The students have tasted power and will not easily relinquish it. "We have shown that you can obtain something by struggle," says Guicharnaud.

While emphasising that the movement is apolitical, all the committee members would probably put themselves on the left. Over half are militants in student unions.

By contrast Emmanuel Faux

Record results

18th successive profit increase

- Vaux Group pre-tax profits up 19% to £17.52m.
Final dividend increased by 13%. Annual increases have exceeded 9.7% since 1975.
Improved profits throughout the Group — Breweries up 9%, Hotels up 14% and Wine & Spirits up 35%.
1986 London Standard Pub of the Year.
80 bed Trafalgar Hotel, Preston purchased, 122 bed new Swallow Hotel, Northampton opened.
2 new hotels under construction at Waltham Abbey and Peterborough.

Copies of the Report and Accounts will be available after 15th December 1986 from The Secretary, Vaux Group plc, The Brewery, Sunderland SR1 3AN.



VAUX GROUP plc.

SWALLOW HOTELS VAUX AND WARDS BEERS JAMES BELL WINES

Johnnie Walker

Private Eye

MR MAXWELL AND THE EYE

PRIVATE EYE



A SMALL independent fortnightly magazine, devoted to satire and wit, is given false information about a rich and powerful newspaper publisher...

Wonderland" - both printed Maxwell's Mirror Group this week in huge numbers and successfully distributed.

(which came to be associated with Harold Evans's Sunday Times); a burst of sharp, even cruel gossip columns. Later in the sixties, with a largely different cast list and with a different project in mind...

Today, Cook owns 16,000 of the 28,143 shares (other much smaller shareholders include the publisher Anthony Blond (2,400) the TV personality Bernard Braden (1,031) and the cartoonist Barry Fantoni (1,601).

"Inside Private Eye" (Fourth Estate, 1986) is that Ingram's editor for almost all of the Eye's career, has retired in weariness, leaving the magazine to the editorship of Ian Hislop, a 26-year-old new recruit...

age and retirement." Certainly the received wisdom in Fleet Street, and smarter circles about Private Eye is that it is now, in its own overgrown, "boring"...

campaigns against individuals. It is quite easy to hate Private Eye, and even easier (if in its target range) to be frightened by it.

But what else reminds us that we can have the instincts of pigs? And is it possible for any paper - "organ" as the Eye would say - to perform that function without itself becoming hateful?

The magazine is, of course, Private Eye, the publisher Robert Maxwell. Maxwell's victory in the courts last month over allegations that he had financed trips for Neil Kinnock...

It is certainly a product of the sixties. Begun in 1961 by a group of friends who had in common their hatred at Shrewsbury public school - Richard Ingrams, Paul Foot, William Rushmore, Christopher Booker...

The early Eye was a hand-to-mouth job: begun on a capital of £450, it was crudely printed in a small, relatively unimpressive building in the City...

The Maxwell-produced "Not Private Eye" which has done some damage to the company's structure, says the present annual turnover is some £3m; Pressdam's profits have fallen sharply, but a separate company, PE Distributions (which distributes the magazine) is flush with cash.

Maxwell's charge that the magazine is finished is complicated by a similar charge for different reasons - from Peter McKay, formerly a gossip columnist, an Eye contributor and now editor of Sunday Today. McKay's thesis, in

Bub through his 30th and 31st wins, does not exactly sit up and beg you to come inside. "I love Harrington, but over the years it has been allowed to deteriorate," says Mr Curtis.

There has been a change, especially in the past 10 years, says Mr Curtis. "It used to be a cup of tea and a hot pie and nowhere for the wife to sit. Well, you could not just bring a pie in her hand, could you?"

However, a really good dog can be bought for about £8,000 - not much more than the cost of a year's training for a horse. A good greyhound, after rearing and schooling, will start racing at 15 months and continue until the age of 3.

Even dog racing occasionally has its day

THE PARTY of City brokers who spent a night at the dogs this week found that big money is as elusive as an electronic hare in the lean world of greyhound racing.

There was not much coming their way as punters. At the final rally after the evening's racing at Harringay stadium, they were about £10 adrift.

Greyhound racing may be Britain's second largest spectator sport - after association football, ahead of horse racing and cricket - but, financially at least, there is not a lot in it for the owners and trainers.

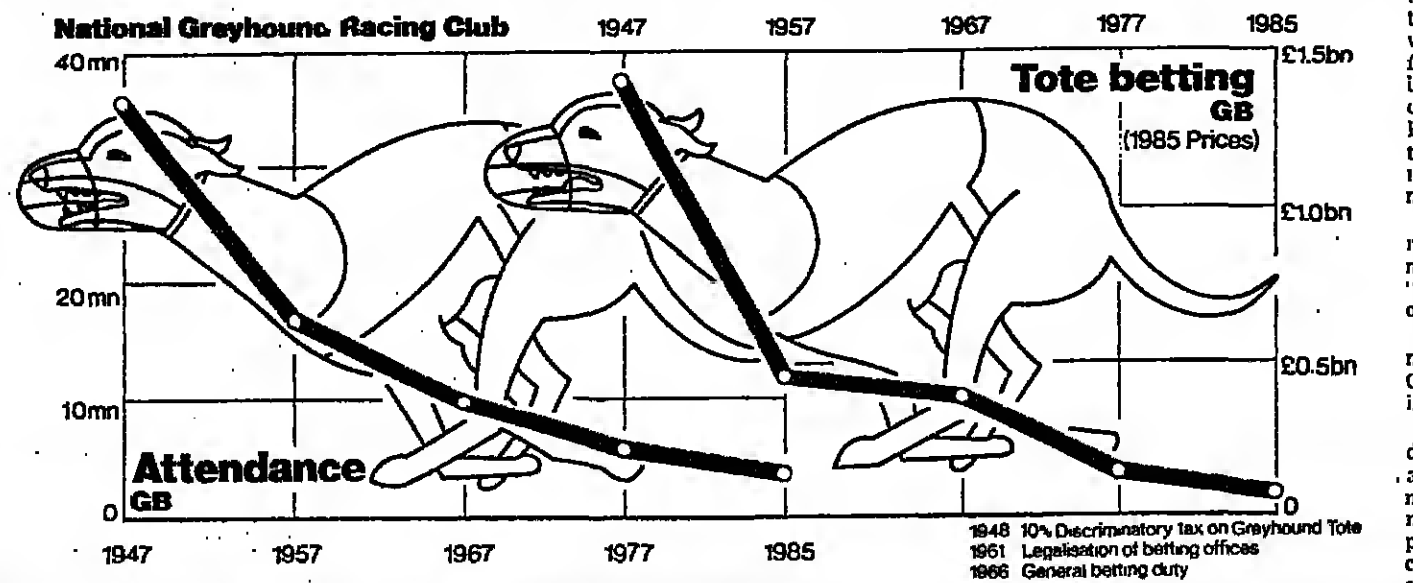
There are, however, honourable exceptions: notably the remarkable Ballyrean Bob, a greyhound who has won 32 consecutive races, a world record set at Hove this week.

Four days into retirement, he is reckoned to have earned nearly £35,000 in his racing career and should make more at stud; his services cost £450. But few owners are as lucky.

The total amount staked on the dogs so far this year is just over £1bn - yet the richest prize for a winner, at Harringay was just £45 (£13 for the also-rans).

The sport itself is liable to be driven harking mad by its continuing inability to extract a levy from the betting shops, which cream of more than three-quarters of the gambling stake: £760m this year.

The British Greyhound Racing Board, which represents everyone directly involved - as opposed to betting shop owners - in greyhound racing, does not seem to be having much more success in securing a share of the business which, from next year, plans to transmit, by satellite, live televised races to betting shops throughout the country.



Discriminated against

From Mr D. Field. Sir - Paul Abrahams in his article "A Cambridge etc de occur" (December 6) suggests PhDs are discriminated against in this country, use often preferred in the rest of Europe and should, in the future, be treated as any other graduate in the employment stakes in this country.

Letters to the Editor

£900 more than the present average rent. This is much the same as the 50% tax relief received by the basic rate taxpayer with a maximum mortgage of £30,000.

Investment

It is sometimes overlooked that mortgages were one of the basic Trustee Act investments to which pension schemes were limited until the 1950s.

Universities' performance

From the Director, University of London Careers Advisory Service. Sir - I was intrigued to read Michael Dixon's annual commentary on the latest set of university "first destination" statistics on December 3, and was delighted on this occasion to see the several caveats of which he fell readers should take note when studying his league table of university performance.

Chaos in pensions

From Ellen Gracey. Sir - Mr Wynne Griffith (December 5) draws attention to the attractive prospects of personal pension arrangements being able to offer pension mortgages. There does, however, seem to be some misunderstanding about (1) the relationship between pension funds and mortgages and (2) the operation of a "pension mortgage". They are two separate items.

Unions and videos

From the Organising Secretary, Union of Communication Workers. Sir - I read with interest the letter from Chris Cossey of the National and Local Government Officers' Association (November 28) which outlines a number of problems associated with the use of distribution of video by trade unions and, while respecting Chris's views, I do not share them.

The poverty debate

From Mr P. Ashton. Sir - There is no basis for Professor Peter Townsend's unsubstantiated claim (December 6) that I have "not for the first time" been "caught out" on my "facts in the debate on poverty".

Subsidies all round

From Mr R. Harris. Sir - Mr Bernard Kilroy of Shelter (December 6) says that in aggregate council house subsidies are still only one-fifth of what they were in 1975. I would suggest that this only appears to be so because local authority housing accounts are compiled on the basis of historical cost accounting, which assumes that if a house was built for £400 in 1936 it can be replaced for £400 today, adding which makes no allowance in calculating interest charges for the rise in capital values which has taken place since the house was built.

Table with columns: Product, Applied rate net, Net interest, Minimum balance, Access and other detail. Lists various investment products and their terms.

IP plc. James... (Small text at the bottom left corner of the page).

Morgan Grenfell spends £49m on US expansion

BY HUGO DIXON

Morgan Grenfell, the financial services group, has agreed to buy C. J. Lawrence and Co., the US securities firm, for \$70m (£49m). The move is part of its strategy to be a force in global securities markets.

Hunter Saphir in £24m deal

BY NIKKI TAIT

Hunter Saphir, the USM-quoted fresh produce distribution group, is buying four food businesses from commodity trading group, S & W Berisford, for a total consideration of around £24m.

Greene King exceeds £5m

BY PHILIP COGGAN

Greene King, the regional brewer, yesterday announced an increase in interim pre-tax profits to £5.04m (£4.92m) despite a slight decline in beer sales.

Raine increases its stake in Tilbury Group to 23%

BY CLAY HARRIS

Raine Industries, the housebuilder and property developer, is to increase its stake in Tilbury Group to 23 per cent with the £8.8m purchase of shares held by Govett Strategic Investment Trust.

Fuller Smith optimistic as profits rise 9.5%

BY PHILIP COGGAN

Fuller Smith & Turner, the London-based and USM-quoted brewer, announced pre-tax profits 9.5 per cent higher at £2.44m, against £2.22m for the half year to September 25 1986.

SW Wood drops into red

S. W. Wood Group, the non-ferrous metal merchant and processor, announced a pre-tax loss of £157,000 in the six months to September 30 1986.

Yule Catto launches £17.3m bid for Barrow

By Clay Harris

Yule Catto took another step away from the plantation yesterday, launching an unadvised £17.3m offer for Barrow, the chemical and engineering group.

A successful bid would give Yule Catto "further shelter from the burly-burly of commodities," Mr Alex Walker, chief executive, said yesterday.

Barrow has moved steadily away from its origins as a leather tanner, although it still supplies shoe components and manufactures tanning machinery.

Yule Catto said that its financial strength and global distribution network could create new markets for Barrow's products.

For the six months to June, Barrow reported pre-tax profits of £1m on sales of £22.95m. Yule Catto profits of £37.8m, Yule Catto yesterday forecast a final dividend of 5.5p (4.5p) for a total of 5.5p (7p).

The offer values Barrow shares at 52p. They rose to 60p after yesterday's announcement but fell back to 55p, a 12p rise on the day.

Adelaide buys more B. Circle

Adelaide Steamship has increased its stake in Blue Circle Industries, the building materials group, from 7.9 per cent to 8.7 per cent.

Difficult year leaves Dubilier down by 23%

BY ALICE RAWTHORN

Dubilier, the manufacturer of electronic connectors and components, yesterday announced a 23 per cent fall in pre-tax profits to £5.02m after a difficult year in which the company was beset by adverse exchange rates and difficult market conditions.

In the year to September 23, turnover fell to £35.45m (£42.05m), because of adverse exchange rates and divestments. During the year the company disposed of Arco Electronics in the US and Serme Sarl in France.

BTR attacks Pilkington defence

BY CLAY HARRIS

BTR yesterday denounced Pilkington's defence against its £1.1bn bid as "an exercise in complacency."

Sir Owen Green, chairman of the industrial holding group, said that the glassmaker's defence rested on an outdated and unsubstantiated and dubious claims.

In a letter to Pilkington shareholders, BTR questioned 11 statements made in the defence document published on Wednesday, including the claim of undisputed world leadership of the glass industry.

Bristol Evening Post increased its pre-tax profits by 18.9 per cent from £1.91m to £2.21m in the six months ended September 30, 1986 from a 7.5 per cent rise in turnover from £21.65m to £23.27m.

Mr Andrew Breach, the chairman, stated that the growth in trading profits, up from £1.91m to £2.21m, in respect of the major activities were: newspaper publishing and printing - 18.9 per cent; retail activities - 3.6 per cent; and property rental 6.9 per cent.

B&C pays £0.45m to Exco directors

By Charles Batchelor

British & Commonwealth Shipping, the financial services group headed by Mr John Gunn, is to make termination payments totalling £450,000 to four directors of Exco International, the money broker group for which B&C is making a £675m agreed takeover bid.

Mr Matthews will receive a £300,000 termination payment. Mr Richard Davey, another director, £140,000. Mr John Sangster, the chairman, £25,000 and Mr John Heywood £10,000.

Details of these payments were given in the formal offer document from B&C for Exco posted yesterday. As part of Mr Matthews' agreement he is restricted from becoming involved in money broking and from soliciting B&C/Exco staff.

Mr Davey will be entitled to exercise options on a total of 180,000 Exco shares or cancel them for a sum equivalent to the difference between their exercise price and 265p.

B&C confirmed it has acceptances for its offer from the holders of a total of 48.7 per cent of the Exco equity, which comprise 34.3 per cent from Tan Sri Khoo Teck Fatt, the Malaysian businessman, and First City Financial Holdings, controlled by the Belzberg family of Canada.

Glasgow Stock values Mowlem cash offer. Glasgow Stockholders Trust, which is currently recommending a bid from John Mowlem, the construction company, yesterday put a figure on the estimated value of the Mowlem cash alternative.

Assuming that GST's net asset value at end-September was 169.5p per ordinary share, the figure for 95.5 per cent of formula asset value - which is how the cash alternative would be calculated - would work out at 173.6p.

Ward White lifts LCP stake to 41%

By Nikki Tait

Ward White, the acquisitive retail group, continues its race towards control of LCP Holdings, the Midlands-based company for which it is currently making a £170m hostile bid.

Having increased its stake in LCP from 8 per cent to 29 per cent on Thursday, Ward White and its associates bought in the market again yesterday, raising its stake to 41 per cent by the close.

Piccadilly Radio has amended its full-year results to September 30, 1986, following the decision of the Independent Broadcasting Authority on November 4 to reduce primary rental payable by independent local radio stations by 26 per cent and backdate this to April 1, 1986.

Pre-tax profit is £526,000, up from the originally reported figure of £480,000 (£484,000); tax charges were raised to £170,000 from the original £173,000 (£200,000). Earnings per A 10p ordinary share moved up from 5.87p to 6.42p (5.46p); and earnings per 5p ordinary non-voting share increased from 2.85p to 3.1p (2.73p).

Lovell G. F. Lovell, manufacturers of sugar and chocolate confectionery, fell back into the red again in the six months to October 4.

MIL Research placing

BY RICHARD TOMKINS

MIL Research, the market research group which is seeking a full listing, yesterday announced the terms of its flotation.

Nearly 4m shares, representing just under 40 per cent of MIL's equity, are being placed by County at 144p a share. This will give the company a market capitalisation of £14.4m at the placing price.

Substantially reduced pre-tax losses of £171,000 against £49,000 were reported by Reliant Motocycle, vehicle manufacturer, for the year to September 30. This reflected a return to modest profitability in the second half - £24,000 compared with losses of £51,000.

Laird in £11m US acquisition. Laird Group, the diversified engineering concern, is adding engineering and packaging to its range of activities - via the acquisition of North Carolina-based Eta Packaging for \$16m (£11.2m) cash.

Laird says it is now planning operations in the US and take advantage of Eta's strong management. Mr John Gardner, Laird's chairman, says: "We have identified the specialty printing and packaging industry as a sector with good potential and one in which we are likely to become increasingly active."

LONDON RECENT ISSUES

Table with columns: Issue, Price, Date, High, Low, Stock, Dividend, etc. Lists various equities and their recent market performance.

FIXED INTEREST STOCKS

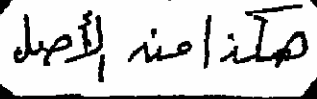
Table with columns: Issue, Price, Date, High, Low, Stock, Dividend, etc. Lists fixed interest stocks and their market performance.

"RIGHTS" OFFERS

Table with columns: Issue, Price, Date, High, Low, Stock, Dividend, etc. Lists rights offers and their market performance.

Information on the tables is based on data supplied by the London Stock Exchange. Figures are based on the latest available information. Dividend rates are based on the latest available information. All figures are in pence unless otherwise stated.

CURRENCIES & MONEY



LONDON STOCK EXCHANGE

FOREIGN EXCHANGES

Dollar and sterling steady

SHORT COVERING ahead of the week's... The pound was firmer amid hopes of higher oil prices...

Against the dollar it rose to \$1.4275 from \$1.4225 and DM 2.8775 compared with DM 2.87... The D-Mark eased against the dollar as the latter attracted short...

of the US budget and trade deficits remained poor. However end of year demand underpinned the US unit... JAPANESE YEN—Trading range against the dollar in 1986 is 266.70 to 185.38...

Account Dealing Dates... 'First Decline' Last Account Dealings Dates Dec 5 Dec 15 Dec 25... London's financial securities markets ended the week with a flourish...

Gilt-edged and oil shares again firm

London's financial securities markets ended the week with a flourish in Government bonds and in oil shares... The FT Ordinary index closed at 1,287.4...

FINANCIAL TIMES STOCK INDICES table with columns for Dec 12, Dec 11, Dec 10, Dec 9, Dec 8, Dec 7, Dec 6, Dec 5, Dec 4, Dec 3, Dec 2, Dec 1, 1986, and Since Completion.

IN NEW YORK

Table showing exchange rates for various currencies in New York, including Sterling, Swiss Franc, and Japanese Yen.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies like the British Pound, Swiss Franc, and Japanese Yen.

POUND SPOT—FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various currencies like the US Dollar, Swiss Franc, and Japanese Yen.

CURRENCY RATES

Table showing various currency rates including Sterling, Swiss Franc, Japanese Yen, and others.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and maturities.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

OTHER CURRENCIES

Table showing rates for other currencies such as the Australian Dollar, Canadian Dollar, and Hong Kong Dollar.

STERLING INDEX

Table showing the Sterling Index and its components over time.

CURRENCY MOVEMENTS

Table showing currency movements and changes in exchange rates.

JAPAN (continued)

Table showing Japanese stock market data and exchange rates.

MONEY MARKETS

INTEREST RATES were lower in London yesterday following sterling's better performance. Three-month interbank money was quoted at 11.9-11.4 per cent compared with 11.7-11.5 per cent on Thursday...

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast 6 shortage of around £40m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £270m and a rise in the note circulation of £265m...

LONDON MONEY RATES

Table showing London money rates for various currencies and maturities.

NEW HIGHS AND LOWS FOR 1986

Table showing new highs and lows for 1986 for various stock indices and sectors.

OTHER CURRENCIES

Table showing other currency rates and movements.

FT LONDON INTERBANK RATES

Table showing FT London interbank rates for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

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EXCHANGE CROSS RATES

AUTHORISED UNIT TRUST & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

Handwritten signature or stamp at the bottom center of the page.

INSURANCE, OVERSEAS

Table of insurance and overseas companies, including names like Robert Williams & Company Ltd, Sun Life Assurance Ltd, and various international firms.

Main table of insurance and overseas companies, listing names, addresses, and contact information for various international firms.

Table of Money Market Bank Accounts, listing various banks and their services, such as Citibank, HSBC, and others.

Table of Money Market Trust Funds, listing various trust funds and their details, including names like Sun Life and others.

Table of Money Market 3-month call rates, listing various call rates and their details, including names like Citibank and others.

Table of Money Market 3-month call rates, listing various call rates and their details, including names like Citibank and others.

Notes and additional information at the bottom of the page, including a disclaimer and contact details.

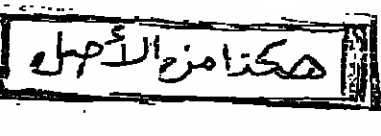
INDUSTRIALS - Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

PROPERTY - Continued. Table listing real estate and property-related stocks with columns for stock name, price, and other financial metrics.

INVESTMENT TRUSTS - Cont. Table listing investment trusts with columns for trust name, price, and other financial metrics.

FINANCE, LAND - Cont. Table listing finance and land-related stocks with columns for stock name, price, and other financial metrics.

MINES - Continued. Table listing mining stocks with columns for stock name, price, and other financial metrics. Includes a 'NOTES' section at the bottom.



110 PEPI
SPAIN'S SHERRY
GONZALEZ BYASS

Bryant Holdings plc
Homes Property Construction
021-704 5111

Tax plan aims at prompt payment

BY HUGO DIXON

PLANS FOR tax system changes that would encourage companies to pay corporation tax on time and include all relevant pay in their Pay-As-You-Earn returns, were announced yesterday.

The proposals form part of the Government's response to the Keith Committee Report on streamlining tax enforcement, published in a series of volumes in 1983 and 1984. They are split out in an Inland Revenue consultative document published yesterday on the Keith Report's findings on income tax, capital gains tax and corporation tax.

At the same time, Mr Ian Stewart, Economic Secretary to the Treasury, said in a Commons written answer that so many changes were envisaged that it would not be possible to implement them all in one Finance Act.

The Government was therefore "considering giving priority to those clauses which would streamline the administration of corporation tax and improve the effectiveness of the PAYE and sub-contractor deduction schemes," he said.

On corporation tax, the Government proposes that companies should pay what they think is due by a fixed date, whether or not they have been assessed by the Inland Revenue. If it is later found that they have overpaid, they will be reimbursed with interest; if they underpaid, they will have to pay what is owed plus interest.

The aim is to eliminate the present system under which the Inland Revenue often has to make estimated assessments. The change is not expected to come into effect until the early 1990s when the Inland Revenue's new computer system should be in place.

On PAYE and the sub-contractor deduction scheme, interest would be charged if tax payments were made late because companies had failed to operate them properly.

The Government has asked for comments on the proposals by February 13, in time for next year's Finance Bill. Comments on the other proposals in the consultative document are due by October 31 next year.

*The Inland Revenue and the Taxpayer, HMSO: £3.50.

UK inflation up to 3.5% in wake of mortgage rise

BY JANET BUSH

BRITAIN'S INFLATION rate rose sharply in November in 3.5 per cent, the highest annual figure since March, after holding at 3 per cent for the previous two months.

Employment Department officials said yesterday that the retail prices index rose 0.8 per cent last month, making it the largest monthly increase since April, when the index rose by a full 1 per cent.

Lord Young, Employment Secretary, said November's rise had been expected because of the increase in mortgage rates which affected most borrowers from November 1. "The low inflation achieved over the last few months is having the beneficial effects we expected," he said.

He pointed to signs that pay settlements were coming down but that unit wage costs were rising more slowly.

Mr Ian Wrigglesworth, economic and industrial spokesman for the Social Democratic Party, commented: "Britain now has higher inflation than all its European competitors except Italy. It is further evidence of the long-term damage which is being done by the Government's pre-emption boom, which will have to be stopped in the second half of 1987."

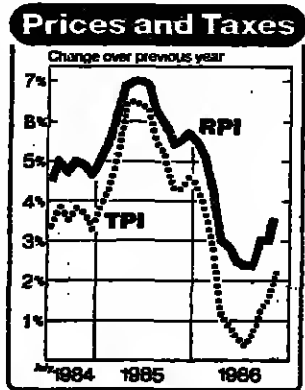
The increase in mortgage rates from about 11 per cent to about 12 1/2 per cent accounted for about 0.6 per cent of November's rise, officials said. The prices of durable household goods, cigarettes and motor insurance premiums also rose.

In December, modest increases in both seasonal and non-seasonal food and further rises in cigarette prices and insurance premiums are expected. However, those should be offset by a fall in electricity prices and Christmas discounts on alcohol bought at off-licences.

In the Autumn Statement, the Chancellor forecast an average annual inflation rate of 3 1/2 per cent in the final quarter of this year, rising to 3 per cent in the fourth quarter of 1987.

The Employment Department's statistics suggest that it would take only a modest rise in inflation during December to exceed the Chancellor's forecast.

The RPI stood at 391.7 in November (Jan 1974=100), compared with 388.4 a month earlier. The Tax and Price Index, which measures the impact on incomes of tax as well as price changes stood at 186.3 (Jan 1978=100), 2.2 per cent higher than a year earlier. October's TPI was 194.3.



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Task force to consider changes to US laws on insider trading

BY ANATOLE KALETSKI IN NEW YORK

THE US GOVERNMENT is setting up a task force to review US laws on insider trading and junk, or high-yield and low quality, bonds in the aftermath of the Boesky scandal.

Mr Larry Speakes, White House spokesman, said yesterday that the task force, to be headed by Mr George Gould, US Treasury Under-Secretary for Domestic Finance, would consider changing legislation as well as strengthening enforcement tools and report to President Ronald Reagan in January.

Mr Speakes said the panel would make "absolutely certain that the Securities and Exchange Commission (SEC) had all the tools and funds it needs for strong regulation of the stock market."

He added that it might also recommend legislation to deal with junk bonds and things like that. "However, lobbyists for the investment banking companies in Washington consider that restrictions on takeover and junk bonds are less likely to emerge from the review than initiatives on insider trading standards and enforcement."

The White House announcement follows official disclosures about the startling scale of the trading operation of Mr Ian Boesky, and renewed outcry from Congress about the alleged leniency of the treatment accorded to the disgraced financier.

The SEC disclosed in congressional testimony that it had permitted Mr Boesky to sell far more securities than had previously been estimated before making a public announcement about the insider trading case against him. As a result, Mr Boesky and his investment partners were spared huge losses on their portfolio of stocks, the prices of which fell sharply when the SEC case was made public.

Altogether, the Boesky partnership sold securities sufficient to reduce its liabilities by \$1.32bn (£925m) before the announcement of his offences. The SEC told the House of Representatives energy and commerce oversight subcommittee. Previously, this portfolio liquidation—already dubbed on Wall Street—the "biggest insider coup" of Mr Boesky's career—was believed to have involved only \$440m-worth of securities.

There was indignation in Wall Street and Washington about the extent of the sales reported by the SEC. Mr Ron Wyden, a Democrat member of the congressional panel conducting the hearings, said it was "impossible to conceive of a reason for letting someone liquidate stocks who was known to be engaging in such illegal activities."

Some investment managers whose funds had lost heavily in the wake of the Boesky scandal noted that Mr Boesky's gains from being allowed to liquidate his portfolio in an orderly fashion may well have exceeded the total of \$100m which Mr Boesky agreed to pay over the affair.

Although it remains doubtful whether the task force will recommend significant legislative changes, the balance of opinion seems to be shifting towards action of some kind. When Mr James Baker, the Treasury Secretary, was asked at a dinner in Chicago on Thursday night if changes in the insider trading law would be needed, he replied: "You got that right."

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ABF in £148m share issue

BY DAVID GOODHART

ASSOCIATED British Foods, the UK food manufacturer controlled by the Canadian Weston family, is raising £148m through the issue of 48.5m shares with the primary aim of reducing the 70 per cent family stake for tax purposes.

Although ABF is publicly quoted, it is classified as a "close" company because less than 35 per cent of its share capital is in public hands. In such a company, investment income that is not distributed to shareholders is liable to be taxed at punitive rates.

ABF's tax problem follows recent dividends—including that of Fine Fare—resulting in a cash mountain of £900m which is expected to yield about £70m in investment income this year.

The company has no wish to pay out all that in dividends but if it remained a close company it would have to pay tax on it at 28 per cent.

By issuing 48.5m shares—about 11 per cent of the enlarged share capital—the family interests will be diluted to about 62 per cent, said Mr Garry Weston, the chairman, and the family stake had been "embarrassingly high" and there were no plans to return to close status.

ABF believes that the dilution has the advantage of making its shares more attractive to institutions as there will be a more liquid market to "increase the flexibility which the company will have in its long-term investment policy."

It has been expected to make an important bid in the UK or the US for several months and the proceeds of the share issue could be used for this. However, some City analysts believe that the tax move could indicate further delay because if a bid was planned before the March 1987 year-end the placing might not have been necessary.

Mr Weston said the company had been looking for an acquisition for 18 months and had recently made two offers—one in the UK and one in the US—but both had been turned down and ABF was not prepared to increase its price.

The shares were issued to the market by County Securities through a US-style "bought deal" in which a securities house bids for the whole issue and then takes responsibility for selling it. The issue price of 312p was at a discount of less than 5 per cent to the market, meaning that no "followback" had to be offered to existing shareholders.

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The shares were issued to the market by County Securities through a US-style "bought deal" in which a securities house bids for the whole issue and then takes responsibility for selling it. The issue price of 312p was at a discount of less than 5 per cent to the market, meaning that no "followback" had to be offered to existing shareholders.

County, which received a fee of about £1.3m, said that it had won the "bought deal" in competitive tender.

Mr David Cardale, a director of County, said: "This is obviously a feather in our cap but it also shows that it is not just the Germans who are prepared to put money up front."

Although County took the risk it did not actually take the shares on to its books. This allowed the institutions to avoid paying stamp duty, as they would then be first buyers of the issue.

The share price fell 10p to 313p.

ABF's tax problem follows recent dividends—including that of Fine Fare—resulting in a cash mountain of £900m which is expected to yield about £70m in investment income this year.

The company has no wish to pay out all that in dividends but if it remained a close company it would have to pay tax on it at 28 per cent.

By issuing 48.5m shares—about 11 per cent of the enlarged share capital—the family interests will be diluted to about 62 per cent, said Mr Garry Weston, the chairman, and the family stake had been "embarrassingly high" and there were no plans to return to close status.

ABF believes that the dilution has the advantage of making its shares more attractive to institutions as there will be a more liquid market to "increase the flexibility which the company will have in its long-term investment policy."

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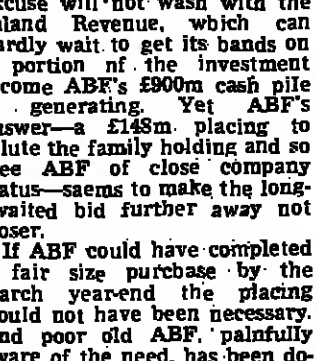
The share price fell 10p to 313p.

Even more grist to the mill

THE LEX COLUMN

Index fell 4.3 to 1280.4

Associated British Foods

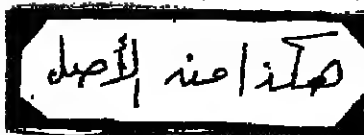


Meanwhile shares in pure exploration plays as Bristol and Tricentral gain sharply.

Unfortunately for the optimists in Opec, the most political interpretation that can be put on the Bank's oil forecast is that it

WEEKEND FT

Saturday December 13 1986



MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

THEY'RE changing guard at the *New York Times*. A few weeks ago Max Frankel, who is 56, replaced the legendary A. M. Rosenthal, who is 65, as executive editor, which is the top editorial job. It is a significant moment in the history of a great newspaper. But it is not, so far as those who know the paper from the inside can see, a new point of departure in terms of editorial policy.

A new editor for America's best known paper is a rarity. Godfrey Hodgson reports

Let the good Times roll

A CHRISTMAS APPEAL: 75 YEARS OF THE NEEDIEST CASES FUND, PAGE 110

A week. The *Wall Street Journal*, perhaps the *Times*'s closest rival for national influence, has long had a national readership, though one primarily oriented towards business coverage and business readers.

"The central change at the *Times* over the last generation," Max Frankel said this week, refilling his large briefcase with a giant plastic bag for the fourth or fifth time in half an hour, "is that we ceased in significant respects to be a geographic paper and became a demographic paper. Our readership became defined by education, social class and income. Not all our readers are rich, but if they aren't rich, they are certainly well-educated."

"Our national role," he went on, "is to service what we think of as a community of readers who are serious about the news. And that community is now no longer geographically rooted. The suburbs of Houston, Texas, produce consumers of serious news who are not very different from readers in Scarsdale (an affluent suburb of New York)."

Last weekend's Sunday edition was a record — even for the *New York Times* — in size, in advertising revenue, and in sheer physical weight. It turned the scales, as they say of boxers, at eleven pounds and four ounces. What thudded on to the subscribers' porches across the country was 1,450 pages of journalism and advertising, organised into eleven formal sections.

This is the ultimate "supermarket newspaper." No reader could possibly hope to sample all the wares on its miles of shelves. Instead, readers are invited to choose between sections devoted to national and international news; to business news; real estate; news; sport; travel; entertainment; arts and leisure; regional news ("editionised" for different circulation areas) and so on. The Sunday edition last weekend included no fewer than three different rotogravure magazines, not to mention numerous advertising inserts.

The *New York Times*, however, is only one of the products of the *New York Times Company*, which owns 33 small but highly profitable local newspapers, most of them in the Sun Belt with a combined circulation of 800,000. It also has four television stations and a cable television franchise, a number of magazines and four pulp and paper companies, three of them in Canada and one in Maine. Altogether in 1985 those diversified investments produced a turnover of just under \$1.4bn and net income of \$116m.

It was not always so. As recently as the middle 1970s, indeed, even the paper's survival was by no means assured.

Its present prosperity is in part the consequence of the renewed buoyancy of the economy of New York City and of the North-East of the United States as a whole. It is also the reward of a business strategy that took arms-against-a-sea-of troubles which, at the time, from a executive suites on the fourteenth floor of the *Times* building, looked uncom-



The old and the new: A. M. Rosenthal (left) and Max Frankel

monly similar to those which have plagued Fleet Street since then: hesitant management, economic recession, bitter strikes and labour disputes, and union resistance to new technology.

In the 1960s and 1970s, one after another of New York's famous newspapers closed as the white middle class fled to the suburbs from crime, rising housing costs and deteriorating schools. The *New York Times*, as a company with a single perishable product in a market consisting of a single city, was painfully vulnerable to union pressure.

Mr Arthur Ochs Sulzberger, the publisher, said this week that as late as the middle 1970s, "it was obvious that we were going into the red." (Mr Sulzberger is universally known by his childhood nickname, "Punch.")

Punch Sulzberger took over in 1963 in the aftermath of a particularly bitter strike which lasted 114 days and, he believes, caused the death of his brother-in-law and predecessor, Orville Dryfoos. "Management was shaken," he told me. "We had been jammed by the union. The underpinnings were shaky. We had lost money for the first time for a long, long time."

The first thing, aside from strengthening management, was to give the company a stream of earnings that did not depend on the *New York Times* and were not therefore vulnerable to pressure from the New York printing unions. By 1971 the Sulzberger family had sold a proportion of its stock in the company in order to be able to make acquisitions.

The first major purchases came in that year, when the *New York Times* company bought a number of media properties, including a TV station in Memphis, *Family Circle* magazine, three small newspapers in Florida and some medical magazines, from Gardner Cowles, the publisher of *Look* magazine.

With characteristic prudence, the family sold only non-voting stock. That meant it could not be traded on the New York stock exchange, but only on the smaller, rival American stock exchange. It also meant that the company has remained defence proof against raiders, greenmailers and other unwelcome visitors.

There were further strikes in the early 1970s, and management was eager to install the new technology, which was then becoming commonplace in non-

union newspapers in the South and the South-West. Management negotiated one contract with the unions that allowed for increases of 15 per cent, 11 per cent and 11 per cent in three consecutive years. The company was being forced to push its advertising rates up beyond what the market would bear.

Management, however, had been making secret plans. The canteen at the *Times* is at the east end of the 11th floor. At the west end, behind a security guard, a miniature electronic newsroom was installed for training. More than a hundred executives of the paper were also taught to do every job, from mounting a paper reel and mending paper breaks to making stereotype blocks for pictures.

The day came when Punch Sulzberger was able to walk the formidable leader of the Typographical Union, Bertram Powers, through the secret room. Powers understood what it meant. Instead of calling the expected strike, he signed a remarkable 13-year union contract. It gave his skilled members security of employment for that period if they wanted it, with the alternative of either being retrained on the new technology or being bought out if they preferred.

Staff numbers were reduced quite drastically over the years, from about 850 at the time of the agreement to under 250 now. Far more important though, insists Walter Mattson, was the new flexibility management acquired through the freedom to move to new technology.

Beginning in 1976, the *New York Times* gradually went over to a daily four-section format. Working with Sidney Gruson, a former foreign correspondent who had moved on to the management side of the paper, it was Abe Rosenthal who was the chief architect of the four-section paper. Each weekday, the paper consisted of four sections: national and international news; "metropolitan", meaning more or less local news; business news; and a section which changed from day to day: from sports on Monday to a weekend entertainment section on Friday.

"A brilliant editor," said one journalist I asked about Abe Rosenthal, "but a lousy boss." Like most such snap judgments, it may be both over-simple and disputable. But it does at least express the ambivalence which so many journalists felt about this almost obsessively demanding man, who distinguished himself as a foreign correspondent in India and Poland, among other places, before returning to New York to transform first the metropolitan pages and then the paper as a whole.

Rosenthal's boss, Punch Sulzberger, is full of praise. "Abe was an absolutely wonderful editor," he said. "He did exactly what I wanted him to do. A hands-on executive editor. But he got to be 65. You've got to move on."

Frankel dismisses the idea that there is any ideological difference between himself and Rosenthal. "The *Times* has no ideology, only a way of looking at the world," he said.

What was that way of looking at the world? There was a long pause. "Oh, boy." And then another long pause. "I think the *Times*'s way is to feel that anything that happens or is important in people's lives is grist to us. And we keep redefining that."

Wasn't the danger that the paper would end up putting its reporters' opinions in the paper under the guise of news?

"Opinion about what's important, yes. Opinion meaning what we think about it, whether it's good or bad, we try to draw that line. Our ambition is not to decide the conflicts of society, our ambition is to report them."

On the *New York Times*, reporting, under Max Frankel, just as much as under Abe Rosenthal, is an activity that may be a little hard to define precisely. It is nevertheless an activity that is taken very seriously indeed.

Reporting at the *New York Times* — and here there is not a whisker of difference between Frankel's attitude and that of Rosenthal or any of the other senior editors — is the primary function and one not to be taken lightly. Well over 600 reporters now work for the *Times*.

What is easily forgotten, though, is that it is the financial strength of the paper, and of the *New York Times* company, that gives the editorial staff the resources — and the psychological independence — they need to report the news as fully as they do and with the paper's sometimes infuriating, but ultimately reassuring, seriousness. In that respect, there is no chance at all that the events of the past week presage any change.

Vertical text on the left margin: "Morgan Grenfell", "grist", "ill", "est", "nance", "st December", "Financial", "growth", "advice", "details", "Oppere", "London".

The Long View

How to bet on a beauty contest

THE NEWSPAPERS do not any longer run beauty contests on the lines that were common 50 years ago. When Keynes published his *General Theory*, so it is worth spelling out the rules. (Very old readers can skip the next few lines).

What happened was that the more popular Sunday papers used to publish demure and rather blurry pictures of, say, 16 pretty girls; the reader had to pick the eight most appealing in order of merit. Some papers ran the contest as a poll, where the winner was the one who got nearest to the verdict of all the entrants (there was a television game recently on somewhat similar lines); others had judges who were also believed to work this way.

The art of winning, as Keynes pointed out, was not to pick the prettiest girls but to guess who everyone else would pick; and equity investment, he said, is just the same.

This is still a very good description of the art, even if the explanation is a bit laboured these days, and it is really the underlying text of the whole chartist or technical approach to price tipping.

The chartists don't bother with fundamentals like economic forecasting and company analysis; they simply try to guess, from the pattern of price movements, where the money is going. Since they retain a following, despite years of ridicule, they must deliver for some clients; indeed, the constant study of head-and-shoulder patterns and double bottoms has some vague connection with beauty contests.

You might have some sort of mental block when you read a technical market analysis (I certainly do); but nobody interested in markets can afford to take their eye off the quarry the technicians are trying to scent — the flow of investment money.

Keynes pointed out that it's not enough to pick winners to invest successfully; you must anticipate the market's verdict on the likely winners. In other words, bet on the judges—which, says Anthony Harris, means the Japanese.



you might well kick yourself for not having forecast the whole thing. With hindsight, it stood out a mile that the Baker-Miyazawa pact to stabilise the dollar-yen exchange rate would do wonders for Wall Street. The fall of the dollar had made American stocks startlingly cheap in yen terms, and improved the prospects for profits growth in the US. Japanese investors just needed some assurance that the fall of the dollar itself had ended its precipitous phase, and they were ready to buy—just as Japanese companies have been buying US enterprises.

But if Japanese investors are switching their attention to Wall Street, with its much more attractive yields, why has the Tokyo market not fallen instead of stopping in its tracks?

The boring answer is that investment institutions with large cash flows do not have to sell in order to rebalance their portfolios; they simply switch their new money. However, this idea is extended in an interesting way in a recent circular from Barton Biggs, an expert at Morgan Stanley in New York.

The Tokyo market, on his reading, ought to be in for a big fall. It has had a pattern ever since 1950 of rising five- or six-fold and then falling by up to 40 per cent, and it has already completed the second biggest of these four bull phases (this, by the way, is what we might call Long View chartism). However, it is being held up, says Biggs, by cash flows from foreign investment institutions—and since Morgan Stanley handles a lot of institutional money, he is probably not guessing.

His explanation is the fascinating part; he says they are simply trying to index their portfolios, which means aiming for a spread of investments which mimics the whole world of equities. Tokyo, after its huge rise (it has risen sevenfold in dollar terms since

1970) now accounts for more than half the world's market capitalisation; it is still a much lower proportion of any non-Japanese portfolio, so all portfolios have tended to underperform the world index; therefore, new money is routed to Japan.

This is the very worst kind of herd-following, as Biggs points out; but at first sight it seems to follow the Keynes rule of betting on the majority view. However, it does not. Keynes was talking about anticipating the majority view; portfolio-indexers are simply following helplessly in its wake, keeping several steps behind the game.

This is certainly a losing strategy at the moment; it is American portfolio managers who keep their money at home who have outperformed the world index recently, and the reason is again simple. The US institutions have much higher current obligations for pensions and the like than their Japanese rivals; in cash flow terms, it is the Japanese who dominate world market investment flows.

Total Japanese investment flows—equities, loans, takeovers and factories built overseas—are measured by the Japanese current account surplus; and this is likely to remain high for a long time because of growing earnings on a growing portfolio of foreign assets. For the same reason, the US current account deficit will not be turned quickly; they may might their trade balance, but they are building up big foreign debts to service.

This switch in the world's main source of investment capital is the major financial event of our era—the kind of switch that happens every other generation at most. It means, among other things, that the Keynesian investor must in future try to anticipate Japanese, rather than Anglo-American, votes in the beauty contest. That is going to mean some earnest psychological study; but it should be interesting.

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Record turnover—but City takes the strain

THIS WAS a week for the record books. BRITISH GAS, the world's largest new issue, started trading on the London Stock Exchange, and generated a far higher level of turnover than has been seen there before. The Stock Exchange's trading systems, which had taken such a beating in the weeks after Big Bang, absorbed all this business without a hiccup, and the City's trading desks were left almost unscathed.

At the close of business on Monday, they were 12 1/2% above the 50p partly-paid offer price. Anything more than that, and the Government would rightly have been accused of underpricing the issue in order to win friends and influence people. Anything much less, and the array of new small shareholders might have started to feel that popular capitalism was not so much fun after all.

The shares held up steadily throughout the week, with strong institutional demand mopping up profit-taking by short-term speculators. The investment banks handling the American portion of the issue claim to have been big buyers for their customers back home; on an earnings and yield basis, they say the shares stand up well in comparison with US utility stocks.

Most shareholders should receive their allotment letters on Tuesday. That could be the moment for another wave of profit-taking, but on present form the market looks well able to digest any British Gas stock that is likely to come its way.

All this excitement must cause a faint glow of nostalgia—or even heartburn—for shareholders in the privatisation issue which British Gas has now pushed out of the record books: BRITISH TELECOM. Its second-quarter figures this week were greeted by loud yawns in the City: "reliably boring" was the unkind comment of our very own Lex Column.

The shares have levelled off in recent months, having trailed behind the market for most of the year and now stand about a quarter below their 1985 high point.

An obvious cause for concern has been the Labour Party's renationalisation plans, although these have been looking a bit less fearsome in the light of recent opinion polls. In addition, the company is having to think about the competitive threat posed by Mercury, and there is still an enormous job to be done in modernising the business.

This is fully reflected in the share price, which stands well below the market average on a prospective price/earnings ratio of around 10. And British Telecom has the additional support

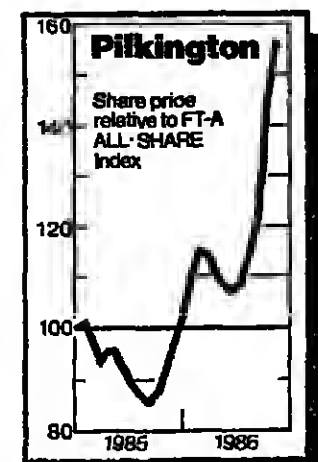
of a fat, and rising, dividend yield.

Managers at GUINNESS must long for the day when someone calls their company boring. Following the arrival of Department of Trade inspectors at the beginning of the month, there was more than usual interest in Wednesday's preliminary statement. In the event, the company's earnings per share were not as high as the inspectors' attention on the business rather than the boys in the bowler hats—and the oews here, at least, was comforting.

London

The original group has done a little better than it forecast back in the spring, despite some awkward problems in places like Nigeria. And the addition of an initial contribution from Distillers for a period of nearly six months has been enough to leave earnings per share comfortably higher, at a reported 28.5p.

All this has helped the shares to rally a little, although they are still about an eighth lower than where they stood before the inspectors walked in. There is still no clue about how long their investigation might last, and in the meantime it is very difficult to form any worthwhile view about the shares. Perhaps the most that can be said is that the inspectors will have to come up with something very



nasty indeed to make them look vulnerable at this level.

Back in the more familiar world, one of the most fascinating takeover battles in years is beginning to gather momentum. It would be difficult to imagine two successful companies with less in common than BTR—headquartered in an electronics town—and PILKINGTON, a technology-based company committed to large-scale continuous production processes.

Pilkington's interim results this week seemed to confirm

what the City—and, presumably, BTR—had been expecting: after a very tough period, the European glass industry is turning the corner. The group's defence is built on that prospect, and it is aiming with considerable success for the moral high ground. This week's document ignored such vulgar matters as the price which BTR is offering. Instead, it focussed on the big picture.

"This bid is about the future of all British companies who believe in the creation of wealth on the pursuit of excellence that leads ultimately to world leadership—rather than the poverty of cashing in the future for short-term financial gains," it intoned.

In the present climate, an attempt to make institutional shareholders feel a twinge of guilt about their behaviour in big takeover battles could well be effective. BTR's immediate response was not much better than a whinge: words like complacent, derisive, erratic and sub-standard—you know the sort of thing. Its case is not being helped by a rather sickly share price. Pilkington now stands well above the value of BTR's cash and paper offer.

However, this bid could run until the end of January, and it is far too soon to write off an adversary as formidable as BTR. The obvious course for Pilkington shareholders is to sit tight.

New for the bid which never was, Saul Steinberg, who runs the US Reliance Group, is not everyone's cup of tea, and he has certainly not been the most popular figure lately at MERCURY INTERNATIONAL, parent of the WARBURG merchant bank. His decision to build a share stake of 15 per cent in Mercury was considered to be a most unfriendly act—the kind of behaviour that might be acceptable in the engineering sector, perhaps, but not in the upper reaches of the Square Mile.

On Wednesday, Steinberg disappeared in a puff of blue smoke, selling out at a high price to the Canada National Railway pension fund. Indeed, the Canadians paid such a handsome price that critics thought initially that they might be playing some complicated game on Steinberg's behalf.

But as Mercury's share price dropped away over the rest of the week, the message seemed to be that life really was getting back to normal at King William Street, EC4. The only people who might feel at all disappointed are some elderly Canadian train-drivers and any shareholder in Mercury who lacks a sense of what is right and proper.

Richard Lambert

A year of change at Grand Met

PRELIMINARY results for GRAND METROPOLITAN are due on Thursday after a year of change in which it has appointed a new chief executive, Allen Sheppard, and made further acquisitions and disposals. Lisgett, the US cigarette subsidiary was sold for \$137m, Ruddle's brewery was taken over for \$14.3m, and a \$900m bid from Trafalgar Holdings for its international continental hotels was rejected.

Pre-tax profits are likely to be around \$37.5m, up from last year's \$34.3m but that will include the benefit of a \$10m pension holiday. The foods division is expected to show the greatest improvement, but there should also be significantly better performances from brewing and consumer services. The

hotel division will have been hit by the Libya and Chernobyl-related downturn by US tourists. ENGLISH CHINA CLAYS set the floor for its full-year results, due on Monday, with a 290m forecast launched a fortnight ago with its offer document for Bryant Holdings. The market is clearly expecting a higher price for the Midlands-based house-builder, so ECC probably left some leeway to enable it to produce a pleasant surprise of, say, \$25m against \$14.5m in 1984-85.

ECC continues to squeeze costs, especially wages, but spends a lot of money doing so. This will hardly be allowed to dent the pre-tax profit figure. Bid-sweetening apart, analysts will be looking to see whether ECC has tried to raise prices of its china clays by more than in recent years. Some feel that ECC has failed to take full advantage of a booming paper market. On the drilling fluids side, only the size of the slide is in question.

Recent news about HOGG ROBINSON, the insurance broker

group, has focused on its spending spree to buy British estate agencies and its long-awaited deal to sell the Lloyd's underwriting agencies that made 14 per cent of last year's group profits.

Other things, however, explain the market's hopes of interim pre-tax profits up to between \$6.8m and \$7.75m (compared with \$5.8m in 1985). Step rises in US insurance rates should boost the contribution from Hogg's North American

group, has focused on its spending spree to buy British estate agencies and its long-awaited deal to sell the Lloyd's underwriting agencies that made 14 per cent of last year's group profits.

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can broking arm (barring damage from adverse currency movements). But perhaps \$1m of the extra profits may also have to be put down to investment earnings and reduced borrowing costs because of Hogg's \$15m rights issue last January.

Preliminary figures at GUINNESS PEAT, due on Thursday, are likely to show

pre-tax profits of \$23m (last year, \$17.6m). All parts of the group are expected to show an improved performance but GPA, in which Guinness Peat has a 22.7 per cent stake, will have benefited from its expansion into the aircraft leasing market.

Fortmann Leff, the New York investment advisory company which Guinness Peat acquired in October for \$100m, will not make a contribution to these figures, but Guinness Peat might well make an encouraging statement about the group's prospects since it felt the City misunderstood the purchase. Guinness Peat failed in a bid for Britannia Arrow earlier this year.

CARLTON COMMUNICATIONS is this weekend licking its wounds after a consortium it headed was overlooked by the IBA on Thursday for the contract to run three satellite TV stations. On Monday, the television and photographic group will have better news for shareholders.

Kenneth Marston

MARKETS

HIGHLIGHTS OF THE WEEK

	Price y/day	Change on week	1985 high	1986 low	
FT Ordinary Index	1280.4	+11.9	1425.9	1064.3	British Gas debut/interest rate hopes
Baggeridge Brick	480	+55	480	284	Good annual results and scrip issue
British Gas	63 1/2	+13 1/2	66	61	Highly satisfactory market debut
Britoil	162 1/2	+12 1/2	206	101	Hopes of higher crude oil prices
Bulmer and Lumb	136 1/2	+15 1/2	136	60	Recommended offer from Allied Textile
Cafyus	238	+25	273	163	Share stake building rumours
Equipul	280	+60	283	123	Agreed bid from Sketchley
FR Group	319	+30	355	252	Hopes of new Chinese orders
Glaxo	952	+50	1117	756	Chairman's bullish AGM statement
Grand Metropolitan	475	+19	482	332	Rumours of Nabisco Brands bid
Greenall Whitley	180	+17	204	164	Recovery after interim results
LCP	197	+11	198 1/2	111	Ward White increases bid terms
Lytton Hldgs	391	+53	395	283	Agreed bid from Prop and Reversary
McCarthy and Stone	305	+33	325	226	Excellent annual results
Mercury Intl	383 1/2	-49	428	280	Saul Steinberg sells 15 per cent stake
Rostenburg Platinum	699	-54	835	500	Explosion cuts smelter capacity
Saatchi and Saatchi	750	-60	936	570	Domestic and US institutional buying
Standard Chartered	812	+30	895	420	Rbt Holmes & Co court speculation
Supra	88	+15	91	43	Agreed offer from Evode

† Based on partly-paid issue price of 50p

When the top men file out...

their difference with these directors that Whitten and Nixon resigned.

Zohair Awartani has now assumed the chair of Memcom and assembled a new senior management team. The company's losses were much-reduced in the first half of the year and should break even in the second half. The shares now stand at 23p.

A cheerier tale unfolded at another USM electronics stock this week when Pericom marked its recovery from the electronics slump. With pre-tax profit of \$1.85m on turnover of \$16.64m, Pericom trebled the profits of the previous slump-scarred financial year and mustered a 54 per cent improvement on the last bid "healthy" year in 1983-84.

Armed with new, higher margin products, Pericom is expected to produce profits of \$2.6m in the present year; yet its shares, at around 160p, are a soupon above the placing price three years ago.

One of the week's new recruits to the USM, Hornby Group, told a similar tale of recovery. Hornby, with its model trains and Scalextric slot

cars, survived the receivership of two parent companies—Lines Brothers and Dunbee-Comber-Marx—to emerge as a management buy-out in 1982.

The buy-out could scarcely have been timed worse. Hornby's independence coincided with the emergence of electronic toys in Britain and the demise of many of the traditional toy manufacturers. Sales slumped, but after stringent cost-cutting from its new management team, Hornby has been nursed back to recovery.

USM UNLISTED SECURITIES MARKET

Company	Announcement due	Dividend (p) Last year	Dividend (p) This year
Archimedes Investment Trust	Tuesday	4.4	5.76
Cardiff Property	Tuesday	0.6	1.2
Cartan Communications	Monday	1.95	4.08
Chemring Group	Wednesday	5.0	8.5
Cifer	Monday	0.5	1.35
Y. J. Lovell	Monday	4.0	7.0
English China Clays	Tuesday	2.7	1.8
Greenleaf Investment Company	Thursday	0.8	1.1
Guinness Peat	Tuesday	0.25	0.375
Hawin	Thursday	1.58	8.46
Y. J. Lovell	Tuesday	2.3	3.4
McCormac	Thursday	9.0	3.5
Parsons (GB)	Tuesday	1.8	1.8
Southern	Wednesday	2.52	7.0
Seophawk	Thursday	2.2	2.2
United Scientific	Thursday	1.7	4.1
Waters and Phillips	Thursday	1.5	2.4
Widney	Wednesday	0.2625	0.2625

Company	Announcement due	Dividend (p) Last year	Dividend (p) This year
Am Group	Friday	1.9	3.86
Bathwell Group	Friday	0.5	0.625
British Land	Wednesday	1.0	2.0
Brown and Taves	Thursday	2.7	5.0
Widney	Wednesday	2.1	3.15
Genac Investment	Friday	1.85	2.65
Electric and General Invest Company	Friday	1.85	2.65
Gibbs Mew	Wednesday	1.1	2.5
Helm	Monday	0.554	1.05
Imperial Continental Gas	Tuesday	6.25	10.5
Ingram, Harold	Thursday	1.25	2.75
Waters and Phillips	Thursday	1.58	8.46
London Merchant Securities	Thursday	0.75	1.5
Manfield Sewery	Wednesday	2.25	8.0
Martyn, Thompson and Swarbrick	Thursday	0.7	1.54
Mountleigh Group	Monday	3.0	7.0
Pionica	Tuesday	0.5833	1.2667
Richards	Monday	1.1	0.8
Richardson	Wednesday	2.2	2.8
R. Rothchild	Thursday	2.19	4.2
Scottish and Newcastle Breweries	Friday	1.5	2.4
T. Trustee Corporation	Friday	1.5	2.4
Wellton	Friday	1.5	2.4

The Hornby name is an emotive one—not least for those with nostalgic memories of toy trains in childhood—and the issue has attracted a great deal of attention. Yet, some City analysts adopt a cautious tone about Hornby's longer-term prospects.

The toy industry, now dominated by huge US manufacturers, is intensely competitive. Toy life cycles are shorter. Marketing budgets are far larger.

A portent for the future arrived last week in the shape of the first company to have produced firm proposals to join the Third Market which the Stock Exchange intends to introduce as a junior tier to the USM in January.

As a portent, the Unit Group—the largest manufacturer of timber pallets in the UK—is scarcely scintillating. Indeed, it looks suspiciously like a company that would have opted for the USM were it not that its track record—erratic profits and high borrowings—would not pass muster with the institutions.

One interesting feature of the issue is that the sponsor, Guidehouse Securities, is staging a Business Expansion Scheme issue at the same time as the flotation. Third Market companies qualify for the BES, but not those on the USM. Thus, individual shareholders will be able to claim tax relief on their investment.

There are restrictions involved with BES investment, not least that shares cannot be traded for a fixed period without forfeiting BES tax relief. But many investors regard small companies as growth, rather than income, stocks and the tax advantage might persuade them to plump for the USM market rather than the Third Market.

The City is expecting results for the year ending September 30 to show pre-tax profits of about \$18m, against \$12m last year. In each of the past three years the dividend has grown by 33 per cent, and a further substantial increase is on the cards.

Star performer will be Abekas, manufacturer of TV equipment, whose profits will have been boosted by new products. The market will also be looking to see what progress is being made by Complete Post, a leading Hollywood post-production company bought for \$21m in May.

The run-off of unprofitable contracts, a new management team and better financial controls should enable UNITED SCIENTIFIC HOLDINGS' US operations to shake off the first-half losses that pushed the whole group into a near-£1m interim loss. Full-year results, looking to see what progress is being made by Complete Post, a leading Hollywood post-production company bought for \$21m in May.

Prospects for the Alvis subsidiary should also be more encouraging now that its Stormer AFV has been chosen as a weapons platform for the British Army's high-velocity missile; while Avimo has recently gained a contract to supply day and night sights for the Warrior. However, the group has declined a long way from its days as a stock market favourite, and any nasty shocks in the figures will revive bid speculation.

MCCORQUODALE is due to announce its pre-tax profits for the year to end September on Tuesday, but the improvement from last year's \$10.2m to around \$14m will not bring much joy to the printing and publishing group, which recently succumbed to a takeover from Norton Opax. John Hollman, the chief executive, has already announced he is leaving the company. He and 25 other senior executives tried to organise a management buy-out to stave off Norton.

Alice Rawthorn

COMPANY NEWS SUMMARY

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Albion	Sept	467 (288)	10.0 (7.0)	1.8 (1.3)
Assoc Paper Ind	Sept	5,050 (4,620)	21.0 (20.1)	7.0 (6.5)
Avon Rubber	Sept	6,089 (4,504)	40.8 (30.3)	4.0 (3.5)
Baggeridge Brick	Sept	2,300 (1,750)	37.6 (28.0)	8.75 (6.87)
British Sugar	Sept	87,100 (83,600)	75.5 (77.5)	— (—)
Brown, Matthews	Sept	10,100 (8,145)	29.1 (22.2)	14.0 (11.5)
Burns Anderson	Sept	1,770 (940)	6.1 (4.7)	6.5 (6.0)
Carr's Mill Ind	Aug	1,450 (1,280)	18.4 (16.3)	3.0 (1.8)
Control Tech	Sept	1,250 (1,100)	11.1 (10.5)	5.1 (4.24)
Crysalis	Sept	7,010 (4,800)	21.1 (16.5)	2.15 (2.05)
Dewhurst J. A.	Sept	6,700 (5,000)	11.1 (8.5)	7.1 (5.21)
Dobson Park	Sept	11,230 (8,720)	8.5 (7.3)	7.0 (6.91)
Eldridge Pope	Sept	3,300 (2,800)	12.2 (9.9)	3.86 (3.22)
Evode	Sept	3,700 (788)	— (—)	4.1 (3.8)
Fluoro	Sept	3,100 (2,680)	20.1 (18.1)	11.5 (10.5)
Goring Kerr	Sept	22,400 (24,600)	21.3 (23.6)	2.52 (2.7)
Granada Group	Sept	35,300 (30,686)	20.0 (18.1)	5.8 (5.2)
Greenall Whitley	Sept	243,000 (265,000)	25.3 (26.3)	5.86 (5.8)
Guinness	Sept	243,000 (265,000)	25.3 (26.3)	5.86 (5.8)
Haldanger Prop	Sept	2,810 (2,810)	39.0 (37.0)	11.36 (9.61)
Hunslett	Aug	300 (742)	17.9 (—)	4.25 (2.0)
McCarthy & Stone	Aug	18,100 (95,833)	20.9 (13.1)	5.33 (2.72)
McLeod Russell	Sept	10,490 (14,300)	64.0 (77.4)	6.0 (5.3)
Microscope	Oct	941 (1,080)	5.0 (5.0)	1.5 (1.5)
Milsums Inns	Sept	1,040 (401)	25.3 (14.1)	4.0 (2.5)
Moresan Hldgs	Sept	1,950 (3,070)	16.5 (23.8)	— (—)
Nottingham Brick	Sept	2,710 (2,430)	18.3 (13.6)	6.0 (6.0)
Pericom	Sept	1,850 (506)	14.1 (3.4)	3.5 (3.35)
Radio Clyde	Sept	582 (535)	5.7 (5.1)	11.0 (4.25)
REP	Oct	17,700 (11,100)	19.5 (17.0)	5.0 (9.01)
Sidlaw	Oct	3,370 (6,280)	9.9 (15.6)	6.0 (6.0)
Stakis	Sept	15,400 (13,400)	4.5 (4.4)	1.4 (1.2)
Tace	Sept	3,500 (3,114)	30.1 (21.4)	5.32 (6.61)
Towngrade Sees	June	83 (49)	— (—)	5.93 (—)
United Drug	Sept	1,040 (1,040)	11.0 (10.3)	12.5 (11.06)
Ward White	Sept	17,520 (14,720)	31.5 (25.7)	— (—)
Westland	Sept	26,400 (25,300)	16.3 (12.7)	6.5 (5.5)
Whesoo	Sept	4,760 (5,000)	16.3 (17.0)	3.5 (3.5)
Williams, John	Sept	280 (25)	3.5 (0.3)	— (—)
Wolve & Dudley	Sept	18,700 (15,430)	35.5 (27.2)	9.75 (8.55)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Airsprung Group	Sept	871 (748)	2.9 (—)
Aspect	Sept	5,300 (5,550)	3.5 (3.5)
Assoc Brit Eng	Sept	702 (270)	— (—)
BBS Designs	Oct	342 (240)	— (—)
Beaverco	Sept	437 (364)	1.7 (1.7)
Belhaven Brew	Sept	527 (893)	0.37 (0.37)
Berkley Group	Oct	3,100 (1,700)	18.5 (7.5)
Booth Ind	Sept	22 (374)	1.0 (—)
Brit Benzol	Sept	3,820 (2,700)	— (—)
Brit Build & Eng	Sept	88 (33)	0.75 (0.33)
BT	Sept	1,000,000 (902,000)	3.35 (3.0)
BTP	Sept	2,740 (1,910)	2.0 (1.5)
Bulmer, HP	Oct	6,910 (6,970)	2.34 (2.81)
Castings	Sept	265 (608)	1.0 (—)
Celestion Ind	Sept	354 (61)	2.4 (2.5)
Charter Cons	Sept	17,900 (11,100)	4.0 (3.75)
Comco	Sept	360 (305)	— (—)
Dee Corp	Nov	78,210 (60,000)	3.0 (2.5)
Derwent Stamp	Aug	985 (704)	2.7 (2.5)
Eldro	Sept	1,700 (1,600)	3.5 (3.5)
GLS	Sept	134,400 (115,350)	5.0 (7.0)
Greycoat Group	Sept	3,880 (2,170)	1.2 (0.55)
Havelock Eur	Oct	1,300 (422)	2.0 (1.12)
Israel, Jack L	Sept	407 (527)	— (—)
Meyer Intl	Sept	20,210 (13,220)	2.15 (1.95)
Nw Court Nat Res	Sept	353L (213)	— (—)
Norcross	Sept	20,100 (18,300)	3.0 (2.5)
Northamer	Oct	1,000 (1,000)	1.54 (0.47)
Odebrecht & Little	Sept	508 (404)	1.3 (1.0)
Parkdale Hldgs	Oct	501 (50)	

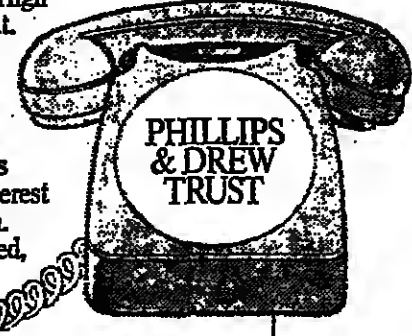
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NATIONWIDE Building Society, which this week announced that it is planning to merge with the Anglia, is introducing a two-year Capital Bond on Monday. The bond will pay a guaranteed 3.25 per cent over the society's share account rate, 6 per cent, on investments of £1,000 and more.

On balances of £2,000 and more, monthly income payments are available at an annual rate of 9 per cent. After two years the full amount can either be withdrawn with accumulated interest or be reinvested. If you require to withdraw your money before the bond matures, the full amount can be withdrawn with 90 days' notice to avoid loss of interest.

CANNON ASSURANCE claim to be the first life company to offer to pay up to half the sum assured if the policyholder suffers a stroke, heart attack, invasive cancer or has surgery treatment for coronary artery disease. This optional extra, known as critical life cover, has been built into the company's Designer universal life plan.

The company says that while modern medicine means that the chance of survival from one of these serious illnesses are better than ever before, those affected often find themselves facing sudden and unexpected financial problems. The cost of medical care can be extremely expensive and your income may fall or your whole livelihood disappear by not being able to carry on your previous profession.

The cover is not available to non-smokers with a good health profile at the time of taking out the policy and the sum paid out is restricted to a maximum of £20,000 or half the value of the life cover, whichever is the smaller.

NATIONAL SAVINGS, the government organisation used to raise money from investors, is planning to spruce up its dowdy image. Next year, it is adopting a corporate identity in an effort to emphasise its importance in the personal savings market. Its promotional material has been

redesigned to concentrate more on publicising it as a savings specialist.

National Savings announced last week that it was simplifying the way to earn the maximum interest rate of 6 per cent in its ordinary account next year. This higher rate is paid whenever a balance of £500 is held for a calendar month. To take advantage of the concession, allowing £70 interest a year to be paid tax-free, you need to keep a balance of £1,166 for the whole year or, alternatively, £1,000 for two months only. The maximum holding is £10,000.

JOHNSON FRY has extended the closing date of two business expansion schemes it has sponsored until December 31. They are Dix Belgavia, which so far has raised £2.5m of the maximum subscription of £5m, and Country Resort Hotels, £1.35m out of the £1.7m.

POTENTIAL good news for investors in building society and interest-paying bank accounts is that the composite rate rate is to be reduced in the 1987/88 fiscal year by 0.5 to 2.75 per cent. Under Inland Revenue regulations, composite rate tax has to be deducted automatically from any interest earned on deposits by UK residents—even if you are not liable to pay tax because your income is too low—and is not reclaimable.

This is the main reason why it makes no sense for a taxpayer to keep money on deposit in a building society or bank when there are tax-free alternatives such as National Savings. However, to compensate for the inability to reclaim the composite rate is fixed at a lower level than the standard rate of tax, so those on the latter gain some advantage. The advantage was reduced when the Chancellor cut the standard rate by 1 per cent to 29 per cent in this year's Budget.

The gap will be widened again next April—assuming that is that the Chancellor does not cut the standard rate of income tax once again.

Clive Wolman on the worries of small investors Inside and outside

THE SMALL investor has long been used to getting a "hot tip" from his stockbroker, only to discover that the price of the shares has already run away from him because the big institutions were told hours, or even days before he was.

The present wave of insider dealing cases which are being investigated on both sides of the Atlantic has reinforced the popular belief that the little people will always lose out to the giant institutional investors. It is a belief often nurtured by the City itself, particularly by its unit trust and other fund managers who charge hefty fees for their supposed expertise in managing your money.

The truth is rather different. With or without insider dealing, about 80 per cent of the City's professional fund managers consistently under-perform the stock market average whereas old Aunt Agatha has probably made as much, if not more, money than the average by doing nothing to her portfolio for 10 years.

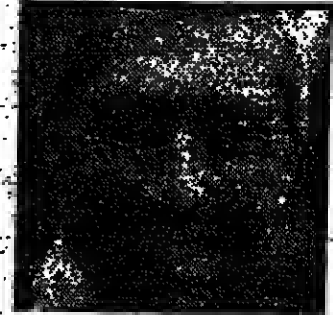
Nevertheless, the evidence suggests that over the last few years, perhaps a few hundred individuals have made substantial sums by dealing on the basis of the inside information they have received in their positions as corporate advisers. The number of such share price movements—just before the announcements of takeover bids and other price sensitive news suggests that there is a persistent use of inside information for these purposes.

Without any such movement in anticipation of the bid, you might have received only 478p for your shares even if you had sold just a few hours, or minutes, before the Guinness bid was announced. You would have certainly felt miffed when you discovered that you had lost out because Guinness had been so successful in keeping its plans secret.

In these situations, insider dealing can give you a fairer price. Any dealing on genuine inside information generally pushes share prices towards

insider dealing. In retrospect, the only way you could have got more than 530p is if the share price had shot straight past 530p without giving you time to sell at that figure.

A practice akin to insider dealing, and possibly more pernicious as far as individual shareholders are concerned, is that of starting stock market rumours which are not based on any genuine inside information. Their purpose is usually to "ramp" the price of a particular share so that it moves to an artificially high level, allowing the rumour-monger to sell the share at an inflated profit. Market manipulation of this form has now been made a criminal offence under the Financial Services Act but its practical effect is likely to be limited.



Ivan Boesky—fined \$100m in the US for insider dealing

their true value, that is the price they would, or will, be at when the inside information is made public.

The only circumstances in which an investor can lose as a result of insider dealing are when the insiders, directly or indirectly, induce him to sell or buy his shares when otherwise he would have done nothing.

Suppose, for example, you had held your Distillers shares for several years and became increasingly disillusioned with their performance. When the price shot up in early January to 530p, you decided to cash in while the going was good. As a result, you lost out when the Guinness bid finally arrived.

Your only consolation is that, as long as you knew of no bid announcement, you would presumably have sold your stake as soon as the share price reached 530p, even if the cause was not

For that reason, selling your Distillers shares at 530p in early January might have been quite a sensible move, assuming you had no inside information at the time. There was always the risk that the bid rumours would come to nothing—and then the share price would have fallen back again.

Although market manipulation may cause greater losses to the investor, insider dealing is not necessarily a victimless crime. As Sir Martin Jacob, deputy chairman of the Securities and Investments Board (SIB), claimed last month, those market-makers who sell shares to the insiders without keeping a tight control over their books may lose money. A more important victim is the company, often a bidding company, that wishes to keep the inside information confidential until an official announcement is made. And the merchant bank which advises the bidding company may well lose the confidence of his client if it is suspected as the source of the insider dealing.

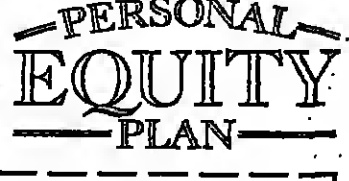
But these are problems for the City. Provided you take an easy-going and relaxed view of investment in shares, you will probably not suffer any harm as a result of insider dealing. But if you like to analyse every share price movement and every item of company news, the possibility that some price movements have been driven by inside information and others by false rumours will make your life more complicated and anxiety-ridden.

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Key of the door

THE SPECTACULAR rise in property values in the past few years has outdistanced the increase in most incomes. So many people struggle to make ends meet, with little surplus cash available, while the value of their houses (their main asset) has gone up sharply. Being asset-rich but cash-poor in this way can be very frustrating.

Last year Medens Trust, a subsidiary of merchant bankers Brown Shipley, launched its Key Plan scheme providing one way of unlocking the surplus cash in your property. It is now being relaunched with a new insurance partner, Royal Life, replacing Friends Provident.

Key plan is basically a loan scheme. Medens Trust is prepared to lend up to 50 per cent of the net value of your home, after taking away any commitments such as a mortgage. So if your house is valued at £100,000, and you have an outstanding mortgage of £30,000 you would be able to borrow up to £35,000 (half of £70,000).

Medens Trust pays all the valuation and legal fees involved. You are provided with a cheque book, and overnight facility up to the limit agreed, which you can use like a bank account except that the minimum cheque value you can write is for £250 to prevent it being used as a current account.

You are sent monthly statements of account showing how much is outstanding and you either pay the monthly interest due by direct debiting mandats or through a paying-in book. The interest rate charged is 1.3 per cent monthly (equal to 16.7 annual percentage rate) and you can make capital repayments at any time without charge or penalty.

You can also increase the size of the overdraft facility in line with the rise in the value of the collateral (your house), although the maximum loan available under the scheme is £50,000.

To cover itself, Medens Trust takes a legal charge on the house—normally the second charge after the mortgage—equal to the size of the loan and also insists that you take out an endowment life assurance policy with a sum assured at least equal to the size of the loan. This policy is to assure repayment of the loan at the end of the period and is formally assigned to Medens Trust as security.

The length of the policy varies in a large extent with your age, but it has to be at least a 10-year qualifying policy. So in addition to paying interest on the loan, you also have to pay premiums on a low cost Royal Insurance endowment policy, although you do retain any surplus profits on the maturing policy after the loan has been repaid.

John Edwards

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 45%			Frequency of payment	Tax (see notes)	Amount Invested £	Withdrawals (days)
		29%	60%					
CLEARING BANK*								
Deposit account	5.00	5.12	3.96	2.88	monthly	1	—	0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500 minimum	0
Three-month term	7.69	7.91	6.22	4.52	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.25	8.25	6.39	4.65	yearly	1	5,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	10,000 minimum	0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999	90
90-day	9.00	9.20	7.13	5.18	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000	30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000	90
32nd issue†	8.75	8.75	6.75	5.25	not applicable	3	25-5,000	8
Yearly plan	8.84	8.84	6.84	5.34	not applicable	3	20-200/month	14
General extension	8.70	8.70	6.70	5.20	not applicable	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.99	8.15	6.31	4.59	half yearly	1	2,500 minimum	0
Schroder Waggy	7.48	7.74	6.08	4.42	monthly	1	2,500 minimum	0
Provincial Trust	8.04	8.34	6.46	4.70	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS‡								
7.75pc Treasury 1985-88	10.69	8.40	7.14	5.95	half yearly	4	—	0
10pc Treasury 1990	11.22	8.25	6.61	5.08	half yearly	4	—	0
10.25pc Exchequer 1995	11.13	8.07	6.38	4.79	half yearly	4	—	0
3pc Transport 1978-88	8.51	7.40	6.89	6.42	half yearly	4	—	0
2.5pc Exchequer 1990	8.17	7.35	6.90	6.48	half yearly	4	—	0
Index-linked 1990†	7.91	7.31	6.98	6.67	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

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Extract from the statement by Mr R Fawcett, Chairman

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FINANCE & THE FAMILY

Eric Short on Christmas planning for a child's future

Gifts that grow up



offer complete flexibility in regular savings over the period of investment. Life contracts tend to have fixed contributions with a minimum investment period of 10 years.

Building societies and banks have been promoting children's accounts strongly, with the advantage that they are willing to accept small amounts of money at any time.

The notable exception is Friends' Provident Life Office, a life company which for reasons lost in the mists of time, has been able to issue contracts direct to children.

second is that up to the age of 12 the return on death is simply a refund of premiums, by law. So Friends' Provident can offer a lower premium on with-profits contracts or a higher unit allocation on unit-linked contracts.

Grandparents have much more flexibility in making gifts and can make full use of the tax mitigation provisions available under the tax law.

The actual passing of the gift should be made under a deed of covenant. This enables the child, through the parent, to re-

the gift has been made to the grandchild. By these arrangements the income from the savings plan is deemed to be the child's and he or she can set this off against the single person's allowance after taking into account the amount claimed on the corresponding gift.

Thus is the gift in at or near the maximum for tax relief the child will have to pay tax on the income. So like gifts from parents he or she should invest in plans which deduct basic-rate tax.

But if the amount of the gift is way below the limit, then in order to make maximum use of tax allowance, investment should be in contracts which roll up interest gross, such as the National Savings Bank Deposit Bond paying 12.25 per cent gross, or where tax can be reclaimed, as with unit trusts.

A building society account where tax cannot be reclaimed is not as tax efficient as the National Savings Bank—highest yields are around 8.5 per cent. Nor is a life contract as tax-efficient as a unit trust, since no tax can be reclaimed from the life fund.

Until recently, banks and building societies made all the running in promoting children's savings. Now life companies and unit trusts are fighting back. The more progressive unit trust groups, like M and G, have DIY package forms for grandparents, which include the covenant forms, tax reclaim forms and explanation booklets on how to use it—backed by a personal advisory service. More is going to be heard from the unit trust industry on how children can invest in unit trusts.

Christine Stopp on the revival of a unit trust group.

FOLLOWING the arrival of Peter Jeffreys as managing director, Baltic Trust Managers hopes to have put behind it a dismal performance record of several years' standing.

The Baltic unit trusts spring ultimately from the old Chieftrain group, an independent founded by Peter Potts in 1976, but already suffering from lack of performance when it was taken over late in 1984 by Baltic Leasing, a specialist in asset finance.

Barely a year later the Baltic group was acquired by Nevi, a new financial services group. The unit trust company was by then on its second managing director since the Chieftrain takeover.

Of the figures shown in the performance table, only the Gilt and Fixed Interest record is above average over all the periods shown. The only other longer-term performance in excess of its sector average is the International fund one-year figure.

The new group, therefore, has everything to go for in terms of performance, and there are signs that the new regime is beginning to take effect. Among the fund figures shown, five funds are now performing

above the sector average: Australian, Gilt and Fixed Interest, Income and Growth, International, and Special Situations. Only the International trust has had a boost from a switch in pricing basis from bid to offer.

On the point to Baltic, Jeffreys took the bull by the horns and wrote to unitholders, not only to introduce himself, but also to explain some of the changes being made to trust portfolios.

What had been going on, since his arrival, was a series of decisive portfolio changes. When asked how long the major changes took, Jeffreys said: "A day. Well, everything of significance had certainly been done within two weeks."

The main changes consisted of eliminating excessively speculative positions—even at some cost—and reducing the concentration of many of the portfolios.

The Australian fund contained two stocks amounting to 11.91 per cent and 8.94 per cent respectively of the total. The whole portfolio numbered only 15 titles. The very large holdings have now been disposed of, the typical percentage being reduced to around 2 per cent of the fund, and there are now more than 40 stocks held.

Jeffreys' philosophy is also informed by a certain degree of caution with regard to the immediate future. "I took over when world markets had done well. Although not bearish, I did feel a period of consolidation would take place and felt the trusts should be structured more conservatively."

All the funds here, now "received attention," with a

A new wave in the Baltic

BALTIC UNIT TRUSTS PERFORMANCE

Three-month figures are offer to offer. All others are offer to bid. All figures are income reinvested, and show growth for the period and ranking/total in sector.

Table with 4 columns: Trust, 3 months, 1 year, 3 years. Rows include American, Australian, Gilt and Fixed Interest, Global Market Situations, High Income, Income and Growth, International, Japan and General, Special Situations.

SOURCE: OPAL

general reduction in special situations and small capitalisation stocks, as well as a trimming of the size of holdings and levels of portfolio activity.

In addition to his own association with strong performance groups, Jeffreys can now count on the services of John Sweet who has recently joined Baltic from Prudential fund managers.

Sweet will manage the Special Situations and UK Income trusts. John Morton, who has moved over to the unit trust group from Fraser Henderson, will manage the International, Global Market Situations, and Gilt and Fixed Interest trusts.

Baltic is expected to appoint a new manager for its American portfolio shortly, and is prepared to pay for quality. A Press release at the time of Jeffreys' appointment announced "remuneration packages of up to £50,000 a year, plus equity participation."

Two new trusts are at present awaiting authorisation: a European trust with a Scandinavian flavour, exploiting the Nevi link, and an American Income trust—dear to Jeffreys' heart as former manager of two such at Fidelity.

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CHESS

BEFORE THE Dubai chess olympics, few would have credited that England could run the apparently invincible Russians to half a point of the gold medal.

England won 12 matches, drew 3.2 with the Russians and lost only to Spain, a drastic 1-3 reversal at a time when England were well in the lead.

Final results at the olympics were USSR 40/56, England 39/53, Hungary 34/4, Iceland and Bulgaria 34/2. Two years ago at Salsonica, the top four finished in precisely the same order, but the Russians then, under Kasparov and Karpov, scored 41 points with England four points adrift and the US six.

In fact, it was Karpov on second board who was one of the weaker links in the Soviet team, for which Kasparov scored 34/11. The world champion had the best individual rating performance of 2.753 followed by Yusupov on board four with 10/12 and a 2.743 result.

and Flear 2/3. Our two major successes were Murray Chaudler, who won the fourth board silver medal with an overall rating (2.711) bettered only by Kasparov and Yusupov and Nigel Short, who was awarded the third board gold with a 2.702 performance.

Can the Russians be toppled in 1988? Support from bookers Duncan Lawrie has transformed England results over the past decade. Nigel Short at age 21 is still to reach his peak, so there is room for further improvement. The US, too, will be stronger due to the steady rise of the talented young grandmasters Benjamin and Dlugy.

What will concentrate their minds is the simple danger of job losses. Dozens of USSR grandmasters, thousands of local youth coaches and a bevy of Central Chess Club administrators are beneficiaries of the state chess budget. The major justification for which is continued invincible results. Even though Kasparov and Co scored their 4-0 against Poland in the final round, heads will surely roll among the team selectors.

White: M. Charaloff (Estonia), Black: R. Vandenbussche (Belgium), Opening: French Defence (1981-1982).

1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-QR3, P-N3; 4 P-R3, P-Q3; 5 P-QR3, B-B1; 6 N-B3, Q-Q2;

7 B-QN5, P-QB3; 8 B-R4, B-R3.

This opening and subsequent moves may look strange, but they are all about bishops. Black's at QR3 is restricted by its own pawns; so he wants to exchange it; conversely, White plays to avoid this trade and instead eliminate the opposing dark-squared bishop, which guards key squares round the king.

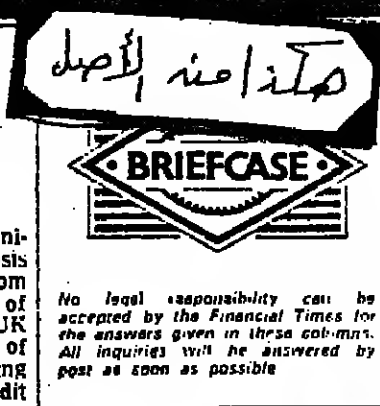
White mates after P-N3; 11 R-K1, B-K2; 12 P-B3, P-N3; 13 N-B4, N-B4; 14 N-R3, B-QN4; 15 B-E2, P-B4; 16 B-N5, N-B3? (better Bx3, though White has the advantage); 17 B-B6, Bx3; 18 PxB, Q-Q1; 19 PxB, PxB; 20 N-B4!

An effective case of good/bad bishop strategy; Black suddenly has no defence, for if K-B1; 21 RxP!

Solution Page XV. Chess board diagram showing White's move: 20... QxP; 21 QxP, R-QB1; 22 QxB7, P-R3; 23 P-QR4, N(Q)-R2; 24 N-QB1 Resigns. White mates after P-N3; 25 QxR or wins material by N-N3; 25 QxR ch or RxQ; 25 NxQ ch and 26 PxB.

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Fighting a law bill

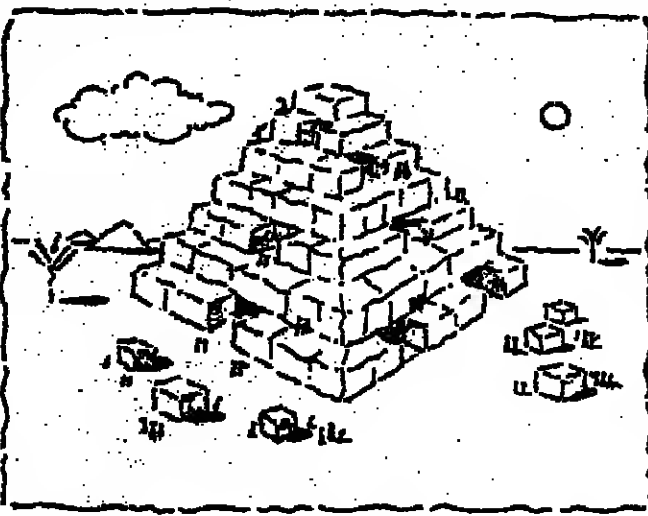
I am one of six beneficiaries under my late uncle's will. The necessary accounting and legal work have now been completed but final settlement is being delayed as the executors have queried the solicitor's charges. The solicitor does not agree that the bill was excessive and since he was not prepared to reduce it, he suggested to the executors that they contact the Law Society for a fair assessment if they still felt aggrieved. This they have done and the result is that the Law Society has quoted a much smaller figure as a fair charge. Following this, the solicitor has written to the executors informing them that he has requested the Law Society to supply him with a detailed statement justifying its assessment. In the meantime he has asked the executors to settle his bill (although he has not stated whether he is prepared to accept the lower assessment from the Law Society). Further he has asked the executors to agree to his charging interest for late payment at the judgement debt rate. He has also intimated that he will be charging for additional items of work which he completed during the period after the opinion of the Law Society had been sought. Is the solicitor obliged to accept the Law Society's assessment of fair charges? Should the executors pay late payment interest to the solicitor, even though the delay was not their fault? If so, should this be at the judgement debt rate? Can the solicitor make additional charges for items of work more recently undertaken, despite the fact that his statement to the Law Society claimed that he had taken full account of all outstanding items with respect to the estate settlement, in his charges? If the Solicitor's bill has been taxed down or has been the subject of an adjudication by the Law Society the higher bill should not be accepted. Moreover, there is no right to claim interest on whatever sum is due unless there is an express contract with the Solicitor which states that interest may be charged in such circumstances. The Solicitor can challenge the Law Society's assessment, but until they do so successfully the amount assessed is all that is due.

The four-car family

We have been experiencing parking problems from time to time with some neighbours who moved into the district some four years ago. The 3-vehicle family enjoy the benefit of a single garage and two handy places in front of the garage to park cars. There are times when cars are either parked fully opposite my driveway or half across making it extremely difficult to get in or out. The situation is made more hazardous by a bend in the road and one can be left stranded in the middle trying to accomplish six to ten turns of the wheel to get in or out while traffic clogs at any time which would not be ideal. The highway code states that one should not obstruct a driveway, but I understand that this has no legal obligation. When I have knocked on my neighbour's door and asked them to move a car, they have come so but at times their manner in responding to the request leaves much to be desired. I have tried to find out my legal rights from a local solicitor but she said these were very complicated to deal with and advised me to sort it out on a personal basis with the builder! What can I do? If the road in front of your house is still a private road you only have a cause of action against another person with a right of way over it if he makes it impossible to use the road. If it is a highway you can invite the local authority to take steps to prevent its obstruction but you cannot yourself bring proceedings. If the obstruction of a private way falls short of preventing its use, but nearly does so, you might have a claim, but that area of the law is still unclear.

bank confirmed in writing that this was correct and charged this amount to her account. In view of the fact that the bank had initially tried to charge some 36.8 per cent more than it was eventually prepared to settle for and the fact that it was my fiancée who had been put to the trouble of correcting the errors in the first place she suggested to the bank that it might make some gesture in compensation—like waiving the charges altogether. The bank would not bear of it but agreed instead to waive charges of some £24 which were due to be charged to her account for the June quarter for a small, unagreed overdraft. Do you think her request was reasonable and if the bank cannot be persuaded to meet her suggestion for compensation on better terms is this a case for the Bank Ombudsman? Your fiancée's request was reasonable, but so was the offer of a waiver of the later charges. We do not think that further pursuit of the matter would necessarily lead to a better arrangement, although it might be helpful to others if the attempted overcharge were taken to the Banking Ombudsman.

In his will my father appointed the trustee department of one of the big banks to act as trustee for his estate which he left in trust for my mother during her lifetime and then to trust divided equally between his children. The will specifies that the bank is entitled to make a charge at the rates applying at the date of the will (some 25 years ago). Since then the bank has changed the basis on which the fees are calculated and it has asked the beneficiaries to accept higher charges. If not and we refuse to accept them what actions can the bank take? The bank cannot force the trust to accept the higher scale of charges, but it may wish to retire from the trusteeship if a new trustee can be found. In mother's interests I was interested in your reply (November 8) under "Modest Small Fry." My mother sold some property four years ago and duly submitted her return. It took the Inland Revenue nearly three years to make an assessment and she is now being charged interest on the outstanding amount calculated from the date it should theoretically have been due (about three years). Our accountant says that the tax should have been paid at the due time even if an assessment was not forthcoming and that the Revenue's demand for interest is correct. When you say that your mother "duly" submitted her return, do you mean that she submitted it



Punting on property

That is, the present owner, will float off around a half of the equity in the building. There is a large amount of speculation surrounding the Pined buildings, but nothing firm. The sponsors simply say that talks are advanced. At any rate the opening of this new market will at least be narrowly based. Individual potential investors will probably want to see how it develops. What they will want to know is that there is an active enough secondary market for them to sell their Pines. And they will be curious to see whether Pines hold their value against the offer price. Property company shares tend to trade at a discount to the net asset value of the company itself. The discounted value of property company shares is linked at least in part to taxation disadvantages. A property company is paying corporation tax on profits and advanced corporation tax on dividends. The Pines Association is keen to point out that rental payments from a single building—the income source of the Pine—go straight to the investor. Any tax an investor pays depends on the overall earnings of that investor. The difficulty here is that while higher dividends from a property company might offset an effective double taxation, the rental income from a Pine remains static. Rent reviews come once every five years, so the level of income from a Pine is set for lengthy periods. Presumably the traded value of a Pine will depend in part on where the building in question happens to be in the rent review cycle. And the value may also depend on the state of the building itself. A couple of decades ago owners were accustomed to thinking of refurbishing a property once every 10 or 15 years. Now it is necessary property owners could be invited to put up more capital. The point here is that investing in a single property poses a different set of questions from investing in equities. In neither case are the answers likely to be foolproof. But Pines will not be the only way of putting funds into single properties. Plans are being worked up for a new form of trust whose sole asset would be a single property, but these plans are less closely defined than those for Pines. They have been dependent on the passage through Parliament of the Financial Services Bill. What both forms of investment have in common is a new way of indulging the taste for bricks and mortar. But the impetus for them has come not from the public at large, where the taste is home-based, but from the financial institutions, looking for new trading instruments, and from the property industry, trying to make a chunky market more liquid.

Honoraria and tax

Over the past few months I have noticed that a number of small payments are now being called "honoraria" rather than fees. e.g. publishers asking for advice on a "manuscript." Another form of payment that is being offered by some publishers is in the form of book tokens or books from their current list. Can you please advise me on the tax position of these forms of payment. Do I, for instance, include them in my tax return? Honoraria would be easy enough to list, but book tokens or books? A Canadian university's £8100 honorarium was taxed at source for £815 as a non-Canadian citizen income tax. Calling a fee an honorarium is merely a way of saying that it is way below the current market rate for the services to be rendered. Honoraria paid in goods are generally taxable by reference to the secondhand value of the goods, provided that there is no cash alternative. Book tokens may be taxable at face value or by reference to the secondhand value of the books acquired in exchange, according to the particular circumstances.

Trustees' charges

In his will my father appointed the trustee department of one of the big banks to act as trustee for his estate which he left in trust for my mother during her lifetime and then to trust divided equally between his children. The will specifies that the bank is entitled to make a charge at the rates applying at the date of the will (some 25 years ago). Since then the bank has changed the basis on which the fees are calculated and it has asked the beneficiaries to accept higher charges. If not and we refuse to accept them what actions can the bank take? The bank cannot force the trust to accept the higher scale of charges, but it may wish to retire from the trusteeship if a new trustee can be found.

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Correcting the bank

My fiancée ran an agreed overdraft with her bank from mid-December 1985 to early March 1986 for which the bank first wrote in mid-March that it intended to charge £108.86 interest at the end of the quarter. She did a rough calculation and suggested that the charge should be more in the order of £83—the bank then proposed charging £84.17. My fiancée then did a detailed calculation using actual daily debit balances and overdraft interest rates and notified the bank of her figure—£89.42. The

Paul Cheesright

Baltic REFORMANCE

All figures are in millions of pounds.

Year	1984	1985	1986
1979	4.1	4.1	4.1
1980	4.3	4.3	4.3
1981	2.3	2.3	2.3
1982	1.7	1.7	1.7
1983	2.8	2.8	2.8
1984	4.1	4.1	4.1
1985	3.8	3.8	3.8
1986	6.9	6.9	6.9

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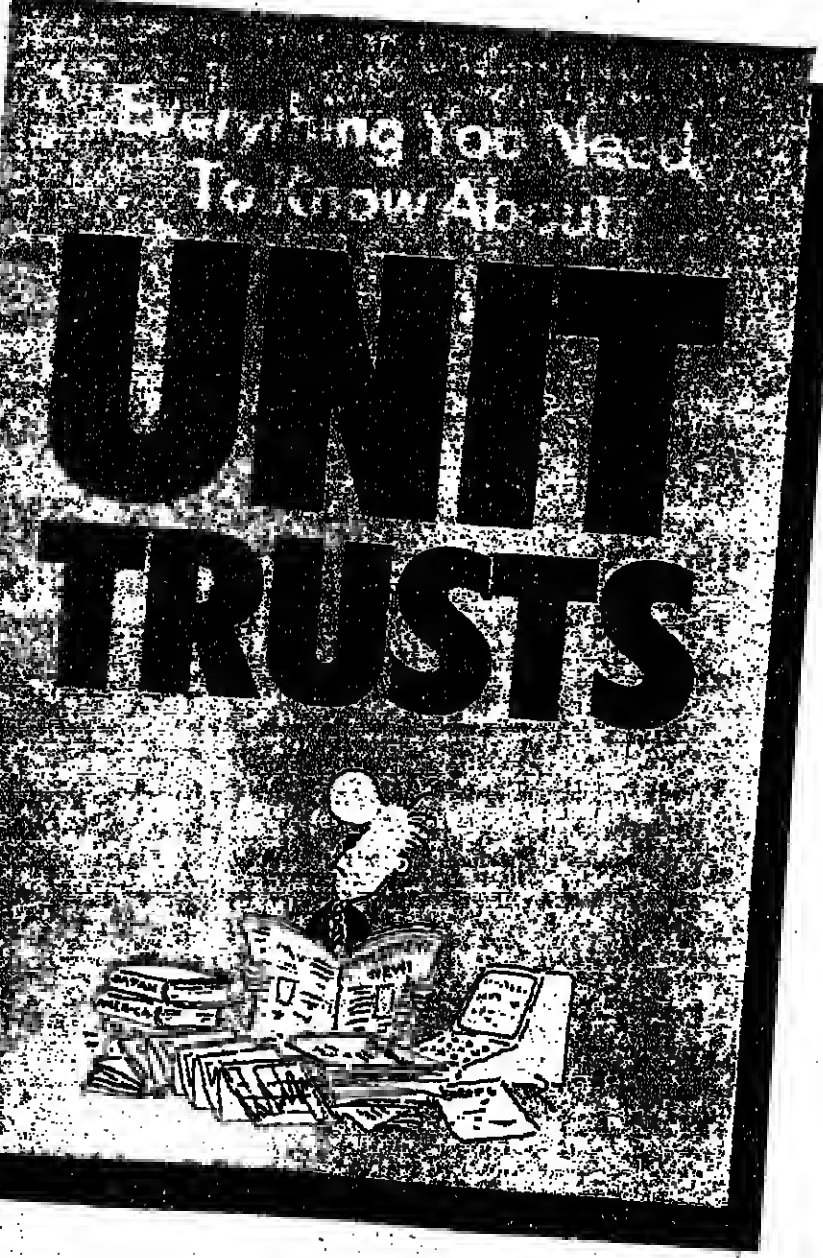
ASSET MANAGEMENT

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(In the case of joint applications, all must sign and provide names and addresses on a separate sheet.)

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FULL FORENAMES

ADDRESS

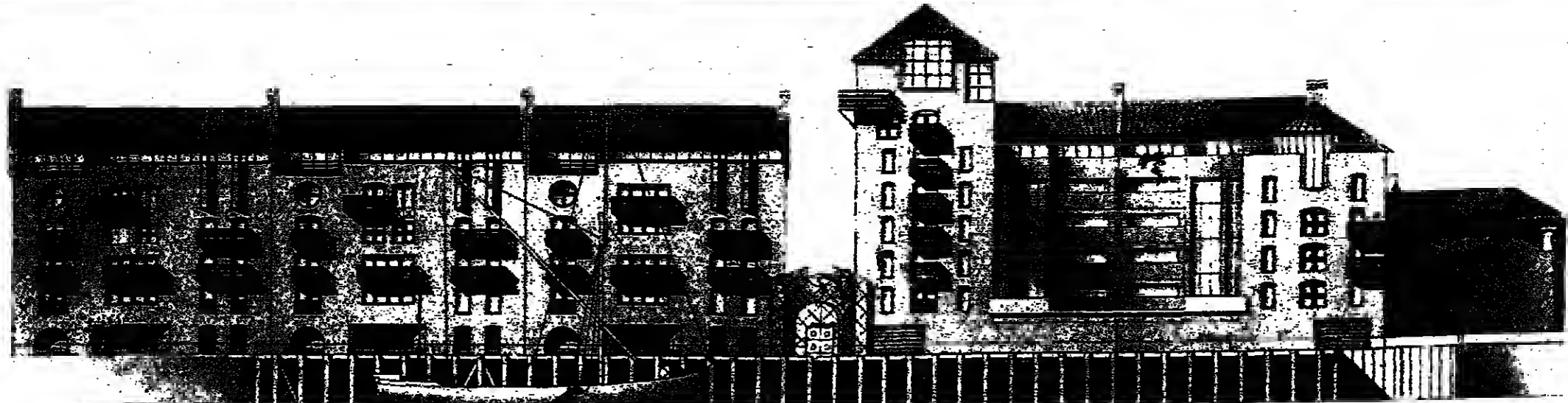
POSTCODE

"THE LAST time I came down here I was taking sailors back to their boats..."

A bored policeman standing guard over a temporarily picketed newspaper...

There are dumpers, and tower cranes, tipper trucks and diggers milling in and out of sites with still bald landscaping...

His cab radio controller thought we had strayed right off the map, inconspicuously commenting that "there's no one down there..."



The Tower Bridge Wharf development on Wapping High Street, where one-bed studios sell for £165,000 and three-bed penthouses cost £485,000.

Facelift that's worth a fortune

John Brennan assesses the revolution transforming London's Docklands

committal words of congratulations. The Royal visitor toured on, stopping for lunch in one of the studio flats in a block Laing had sold to the Orbit Housing Association...

Urban reclamation on the scale, and at the pace of building in Docklands, creates the confusing impression that any new building in the riverside postcodes of E1, E14, E6 or E16; SE1 or SE16, must be a further test of the market among those BMW-driving Young-Upwardly-Mobile-Professionals...

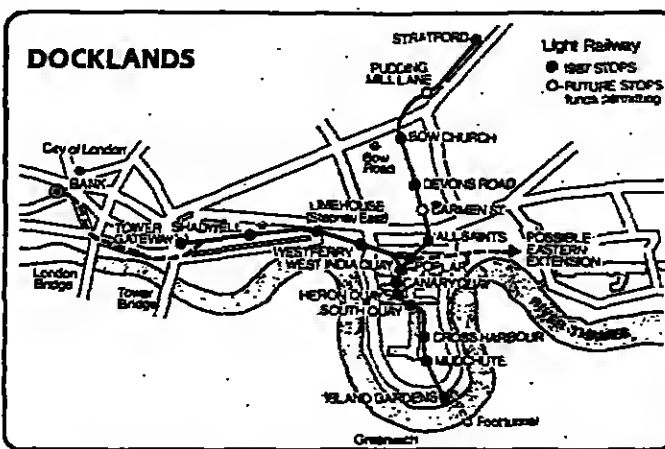
Wainwright's figures explain why four-bed houses sold for £95,000 sell on the open market for £145,000; three-bed units sold for £75,000 to locals, otherwise sell for £110,000; two-bed units sold for £62,000 have a current market value of £95,000.

well as cross-checks with the LDDC and with other builders' sales teams in Docklands to weed out the fake Eastenders bidding in the hopes of making a swift profit in competition with sales of the few, mainly larger family units, that Laing still has left to sell there.

Laing has another couple of acres of housing in Bow—right by the closed, but still standing red-brick mill that was the Bryant & May factory, scene of the famous match-girls' strike a century ago. It is building on reclaimed industrial land in Bermondsey, and will soon start on a 150-house scheme out by the Asda Superstore at Beckton, above the Royal Docks where, as Wainwright says, "there is now a market for people who bought homes for the first time, want to stay in the area, and want to trade-up."

Beyond those is the ribbon of river-edge warehouses that most people tend to think of when they talk of Docklands housing. Quite apart from the added value of a river view, Carleton Smith makes the obvious (once explained) point that most of the higher-priced housing is riverside because those sites tended to have remained privately owned long after the Port of London Authority had taken over the big stretches of inland docks from individual operators.

The river-side sites have therefore usually been on privately acquired sites and so outside the Development Corporation's affordable housing programme, with its controls on prices and, consequently, upon the standards of housing.



ramme, with its controls on prices and, consequently, upon the standards of housing. A veneer of high cost housing along the Thames is seen by some locals as a barrier just as unscalable as the walls that hid the water when the docks were live. South of the river in Rotherhithe, a stretch of fencing blocking off a future riverside building site still bears the now flaking paint of a six-foot-high sign: "LDDC ARE BLOODY THIEVES"

These local homes do not astonish the housebuilders anymore. There are no equivalent priced new homes being built so close to central London, and the only real limitations on construction are spiralling site costs, and the problem of finding and keeping skilled building workers.

The builders find it hard to get contract labour to stay with a scheme from start to finish. Before the tiresome business of completing a site hoves in view, the building workers are off to the next job. It is an understandable way of ensuring continuity of employment from their point of view, but it is also an exasperating aspect of Docklands' development that has persuaded various builders to advertise for teams of builders from the north of England to help rebuild London's East End.

Impressive though the local housing building programmes are, it is that ribbon development of West End-priced properties that mainly concerns, intrigues, and confuses outsiders. Is it now over-priced? Are all the warehouse conversions now finished? Is the South of the river less fashionable than the North? Is Wapping the eastern border for six-figure homes, or should one look for a home on the Isle of Dogs, or even further east by the Royal Docks?

Over the road, in the flat block that was built for council tenant purchase as part of St Katharine's scheme, a "D" registration BMW edges its way out of a patched "Y" registration Ford Capri.

Yes, Carleton Smith confirms, quite a few of those former council tenant purchasers have since been sold to incomers. Those two cars—one in Wapping via Bavaria, Park Lane, and company car tax breaks, the other a distant exile from Ford Dagenham via seasonal used-car lots—neatly sum up the current economic mix of the block. It is a meeting of the open market and "affordable" housing markets that is less common in the Narrow Street area further east from the City in Limehouse.

bank there has little to offer in the moment. But it should be a building vogue's delight as work starts on a whole stretch of Southwark waterside flats. Carleton Smith expects to get £380,000 for those Keeper four-bedders. And David Goldstone, chairman of Regalian Properties, evidently agrees with that room rate as the going price for quality flats in Limehouse. Goldstone is just launching one- and three-bedroom apartments on his nearby Free Trade Wharf site for between £120,000 and £275,000. Like the larger units in Keeper, the Free Trade Scheme is just a few minutes walk from the Dockland Light railway and mainline British Rail station at Stepney East. Unlike them, buyers can reserve units in the Free Trade Wharf scheme by calling Regalian direct (01-493 9613) and paying a returnable £500 deposit. Some 171 of the terraced and halocuted flats are being put on the market for the first phase, due for completion next summer, the remaining 180 units are due for completion in 1989.

Options to buy on that scheme are non-transferable, a move that should deter the resident dealers whose activities in Dockland have plagued the affordable housing builders, but which have helped to create a useful futures market for the developers of open market housing. Those developers' only concern is when the traders haven't sold-on fast enough to have the cash available.

Carleton Smith reports a number of nervous traders' sales recently—in one case where someone was keen to unload as many as 20 bought-on-plan options at one go. That doesn't make him nervous about prices, only more sure that buyers are beginning to find their way around the Docklands and see that, as in the West End, you can't generalise with prices. As he says, "Prices can vary enormously, street by street in Chelsea. It's no different in Wapping or Limehouse."

London Property

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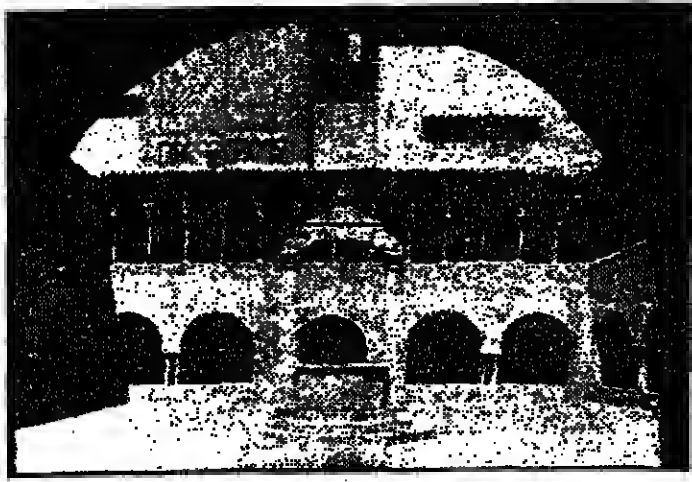
MOTORING TRAVEL

Cindy Selby visits Bologna where there's much more than sausage and sauce

Leaning and learning

"City breaks" are booming. Apart from the statutory Paris and Amsterdam, holiday brochures now feature Bruges, Lisbon, Bern, Seville, plus a host of other cities which are more or less off the beaten track.

alarm clocks of neighbouring guests bleeped through the bedroom walls. But the Hotel San Donato otherwise has much to recommend it: a central location, courteous service and a small roof-terrace restaurant—the ideal place to get one's bearings.



The pavements are covered with stone arcades

There was nothing leisurely, though, about the start of my trip to Bologna. I had made the mistake of hiring a car. This was going to be a "long weekend" (Friday to Monday) and I reckoned that a car might be useful on Sunday, say, for a countryside picnic or a drive to Parma or Ravenna. In the heart of rich Emilia Romagna, Bologna would be the ideal starting point for excursions.

There are terracotta roofs, copper domes (pale peppermint green), and leaning towers—a peculiarity not confined to Pisa. Bologna's tallest tower, degli Asinelli, leans three feet off centre. Its shorter neighbour, Torre Garisenda, is even more askew, tilting ten feet in the other direction. These two towers and a dozen more are all that remain of some 200 towers erected during the 13th century by the rival grandees of Bologna. But nobody had one up on the Asinelli. Their tower was always the highest. Despite its jaunty angle, energetic visitors can still climb the 500 steps for a marvellous view of the rust-red city.

square noted for its fine arcaded palaces and for the massive bronze statue of Neptune—the favourite perch of the local pigeons. The birds and the walkers have the place to themselves. No traffic funnels into the sidewalk cafes or drowns the sound of the mellow bells. This incidentally is the time to visit San Petronio—the enormous church on the southern side of Piazza Maggiore—for at noon the sun gleams through a hole in the dome and falls fair and square on a copper line, a 17th century calendar running 70 metres along the floor of the nave. The underlying stone is embellished with dates and astrological symbols.

Our projected 30-minute drive from airport to hotel ended up taking 80, and wouldn't have ended at all if I hadn't in desperation covered down a one-way street and ploughed through a pedestrian precinct. Happily, our hotel had a garage; the car was abandoned.

Bologna was long ago dubbed "The Learned, The Fat"—learned because of its venerable university; fat because of its fertile environs and fatty mortadella sausage. And so it remains, a cultured, affluent city. Historic buildings are scrupulously restored; theatres, galleries and restaurants are well patronised; the streets are safe, the gutters clean. Bologna revolves around the Piazza Maggiore, an imposing

TO SAY that the food of Emilia Romagna is dominated by pasta and pig is to make a crude generalisation from an underlying truth. Bologna (so aptly known as la grassa, the fat) gave its name to Italy's best-known sauce and thence to its most famous pasta dish. Yet you will often find menus on which spaghetti is not mentioned.

In Emilia, pasta is about tortellini, small, round sachets, fashioned in the image of Venus's navel. Often approaching the texture of filo pastry, they are wrapped around cheese, meat and/or herbs, as with ricotta cheese mixed with native herbs found only in secret fields. Or it can be tortiglioni, larger envelopes, usually filled with ricotta and probably topped by parsley or a walnut sauce. Then there are succulent ribbons of green tagliatelle, covered with smoked salmon, a paragon tips,

and a warm, charming ambience. A memorable lunch was about £12 a head with wine. Among an abundance of outstanding restaurants we enjoyed it most, though others might prefer some of the fine ones of Bologna, such as "Tre Freccie", "Cesari", "Cordon Bleu", the very local "da Nello". In a former farmhouse among meadows of buttercups near Modena, Villa Gaetano, an eight-course meal included more specialities like featherweight, blown-up rolls called crescentini, fruit-filled pastry called crostato and grano cheese.

To see the making of the star cheese, Parmigiano Reggiano, we had to rise early. The men tending 14 hilling cauldrons were at pains to explain that this was not any old tart parmigiana to be grated over pasta. The crumbly interior is encased in rock-hard crusts that disclose the progress and quality of the big cheese wheels when they are hit with a hammer. It is two years before the best are released to be eaten as a treat before, with or after a meal, or just with wine.

The local preference is for young wines, especially fizzy Reds like Lambrusco, the best of which come from around Modena and Reggio Emilia. But more exciting things are happening in the northern foothills of the Apennines, just south of Bologna. There, on the Torre Rasse estate, we met the daughter of Enrico Vallina, who was one of Italy's most

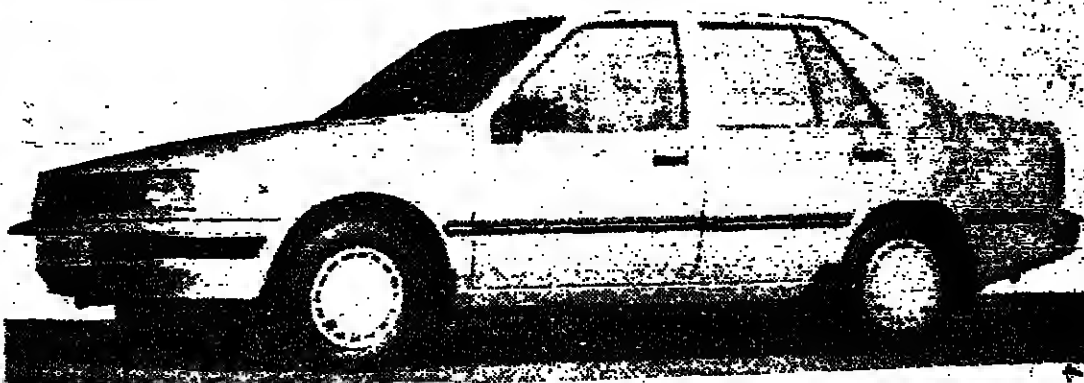
uniformly of neat red bricks and the pavements are covered with stone arcades. The university also makes the record books dating from 1067, it is the oldest in Europe. The present roll numbers 60,000 students. Their high spirits give pep to the city, while their low incomes have prompted the development of cheap bistros.

The shops are up-market, both in quality and price. The food stores dangle esamias from the ceiling and sprinkle sawdust on their marble floors. The shoe shops are carpeted, elegant, smelling agreeably of leather; nothing plastic changes hands apart from credit cards (which will do nicely for all major purchases and meals). The chocolate shops, dating from the 18th century, glow with mirrors, brass railings and polished wooden shelves.

The Bolognese have contributed greatly to their country's progress. They make pasta and machinery and promote conferences, trade fairs, and tourism. In the height and heat of summer the Bolognese take to the sea, and the city loses its zest. So to get the sauce and the seasoning, avoid the summer.

TOURIST DETAILS: British Airways has return flights to Bologna from October to March. The Bologna package, including return scheduled flights and three nights' bed and breakfast at the Hotel San Donato, costs £12. Contact it at Marco Polo House, 3-5 Lansdowne Road, Croydon, CR9 1LL. 01-888 5533.

Stuart Marshall tests a Korean import



The Hyundai Pony... lacks finesse but the price is right

Who needs perfection?

IT WAS just like a Japanese car, even down to the orange figures on the mileometer that were difficult to read in daylight, next to impossible at night. The most obvious difference between the Korean Hyundai Pony 1.5 GLS automatic I tested recently and a Toyota Corolla of broadly similar specification was a certain lack of finesse—and a price about £1,000 lower. The price is £8,350.

reliable and easy-to-drive car, probably warts.

The Pony was nippy in traffic and reasonably relaxed on the motorway, though the automatic model's overall gearing is on the low side at about 20 mph per 1,000 rpm in top. The 71-horsepower Mitsubishi-designed engine gave me around 30 miles per gallon of two star. Fuel economy would have been better had I not kept up with the 90-85 mph pack on the M25 and had so many slyt runs around town with a half cold engine.

The three-speed transmission changed up and down smoothly enough at moderate throttle openings but was jerky when manoeuvring with the engine running fast on choke, or if kicked down into second at full throttle on a hill.

The steering was light at speed, quite heavy going from lock to lock when squeezing into a confined parking space. In most respects the Pony scored average or better-than-average points. The seats were resilient, the ride firmly comfortable and the British-made Michelin 70 series tyres held on nicely in the wet.

Body finish was much better than East European, not quite up to the best European or Japanese standards. But most owners, I suspect, would just look the odd, less than perfect, panel joint if the price of the car was at least 10 per cent lower than that of a competitor. Hyundai has 180 dealers and offers a three-year, unlimited mileage warranty, which is unmatched in its price class.

Don't be caught cold

EVERY WINTER, the first cold snap catches millions of motorists unprepared. So far, this year has been kind to us. Last year, we had already had our first snowfall in the south east by mid-November.

Nearly all cold weather motoring problems are avoidable with a little forethought. For example, has your car been less than eager to spring to life first thing? If so, do not ignore the warning. It means either that your battery is in poor condition and not holding its charge, or that the car's electrical need looking at. Elementary? Of course, but how many of us look the other way and hope for the best when an engine has to be coaxed into starting? Batteries are remarkably

long-lived and long-suffering nowadays but everything has its limits. If a cold shows yours is on its last legs, it is prudent to change it now. And if the car's charging system needs attention, there is nothing to be gained—and everything to be lost—by putting off a visit to an auto electrician. You can find them in Yellow Pages and, in my experience, they are often a better bet than a garage.

Equally, if your car is overdue for a service, book one today. Neglected cars will keep running in "half-breath" but the first hard froze will stop them in their tracks.

Now is also the time to check the screenwash reservoir and add some antifreeze to the water. No radiator antifreeze that will ruin the paint. Any filling station or accessory shop has suitable additives for screenwashers but I find good old-fashioned methylated spirits ideal. One third methyls to two-thirds water, with a tiny drop of washing-up liquid, will keep a screenwash unfrozen and the glass unsmudged in the coldest weather we are likely to have. Do you have a container of ice clearing fluid for the windscreen? If not, get some today, plus an aerosol can of WD-40 or similar water repellent. Sprayed on a damp ignition system, it will often persuade a misfiring engine to start.

Perhaps the most useful winter accessory of all is a soft household brush which has to cope with snow for months on end, would be without one. They use them to sweep snow off the roof, bonnet and boot before driving away in the morning. If left uncleared it only blows about, affecting visibility (yours and other drivers') and the heater cannot work properly if the air intake is blocked.

And brush the snow off your shoes before driving. Otherwise your feet may slip off the pedals, which is dangerous, and it will make a soggy mess of the carpet which the heater will turn into steam to mist-up the windows.

Any car in reasonably good condition should not have starting problems in low temperature. If the engine will not fire promptly, do not keep grinding away on the starter and hoping for the best. All you will do is flatten the battery and flood the cylinders with mucky oil. Leave the wretched thing for a few minutes while you have another coffee. Then, if it has a manual choke, push it in, press the accelerator pedal gently down to the floor and try the starter again. That will often get a petrol-flooded

engine going. And it will save you the embarrassment of seeing the AA or RAC mechanic get in the car an hour later, turn the key and make it start first time because the plugs will have dried out.

There are a few simple rules about driving on snow, too. Do not be too timid and never stop unless you absolutely have to, especially on the approach to a gradient. Drive as though there was an egg between your right foot and the accelerator pedal. Avoid heavy braking as well as fierce acceleration.

Do not let an automatic kick-down into a lower range; never turn the steering wheel sharply; and if you have a rear-wheel driven car, try keeping the handbrake applied lightly as you move away from a standstill. It acts like a limited slip differential and restricts wheel spin.

If your tyres are getting near to the 1mm minimum tread depth, change them now. The shallower the pattern the less a tyre can grip in heavy rain, snow or slush. Do not be tempted to lower the inflation pressure. With modern radial tyres, it does not help.

Cars with permanent four-wheel drive and centre differentials or viscous couplings like Audi quattros, Ford Sierra and Granada 4x4s and the latest Honda Shuttle estate are in their element in snow. Remember, though, they still depend on adhesion between tyre and road and that four times nothing is still nothing. In the hands of an insensitive driver, a 4x4 will go out of control at a higher speed. Selectable four-wheel drives like the Sahara or Fiat Panda 4x4 with the power switched through to the back wheels are nearly as good. When the roads are snow-covered, they may be left in all wheel drive without any trouble but if you find yourself in a clear, dry road, disconnect the rear wheel drive to avoid handling peculiarities and wear and tear to tyres and transmission.

If you have to make a long trip in an arctic spell, a small, low-powered car may be a better bet than a large and potent one. The V-rated tyres fitted to the fastest cars can have very poor grip on snow and ice because of their stiff construction and speed-resistant tread rubber. There is nothing worse than getting stuck in a tigerish car because the tyres will not grip on snow and ice while Minis and their like run rings around you.

London Property

Advertisement for London Property featuring a large photo of a man and woman. Text includes 'BUILT ON THE QUALITIES OF LIFE', 'THE SMARTEST MOVE IN THE CITY', and 'Luxurious bedrooms'. Contact: Bovis Homes, 01-463 7887.

Overseas Property

Advertisement for Overseas Property featuring 'SWITZERLAND. EXCEPTIONAL FOR SALE - IN VERSIER' and 'DUPEX APARTMENT'.

SWITZERLAND

Advertisement for Lake Geneva & Mountain resorts, featuring 'REVAC S.A.' and 'TENERIFE SOUTH TIMESHARE'.

Travel and Holidays Overseas

Advertisement for ACAPULCO, featuring '12 NIGHTS. FROM £499' and 'CONTINENTAL AIRLINES TOURS'.

Hotels

Advertisement for Hotels, featuring 'One of New York City's best kept secrets...' and 'MANSION HOTEL'.

Self Catering

Advertisement for Self Catering, featuring 'LAGRANGE VACANCES' and 'Lagrange UK Ltd.'.

UK Hotels

Advertisement for UK Hotels, featuring 'STAYING IN LONDON—Take a Luxury Service Apartment...' and 'HOLIDAYS AND TRAVEL ADVERTISING'.

Motor Cars

Advertisement for Motor Cars, featuring 'ASTON MARTIN ZAGATOS' and 'Wilton Investment Services Ltd'.

Educational

Advertisement for Educational, featuring 'WANT TO SPEAK FRENCH?' and 'TOTAL APPROACH'.

BARBICAN

Advertisement for BARBICAN, featuring 'RARE OPPORTUNITY TO ACQUIRE LARGE DUPLEX PENTHOUSE'.

LANCASTER GATE W2

Advertisement for LANCASTER GATE W2, featuring 'Close to Central Line Station and Hyde Park'.

Rentals

Advertisement for Rentals, featuring 'Company Lets—Short and Long NEAR MARBLE ARCH'.

Horner Hill

Advertisement for Horner Hill, featuring 'Fully furnished cottage style house with 3 reception rooms'.

EAGLE COURT, SMITHFIELD E.C1

Advertisement for EAGLE COURT, featuring 'PERIOD HOUSE IMMENSE POTENTIAL'.

COUNTRY PROPERTY

Advertisement for COUNTRY PROPERTY, featuring 'APPROX. 19 ACRES DEVELOPMENT LAND'.

Mayfair/Kensington Queensway

Advertisement for Mayfair/Kensington, featuring 'LUXURIOUS FLATS/HOUSES TO LET'.

BRIDGE

Advertisement for BRIDGE, featuring 'South jumped to four hearts, to show that his suit was solid' and 'E. P. C. Cotter'.

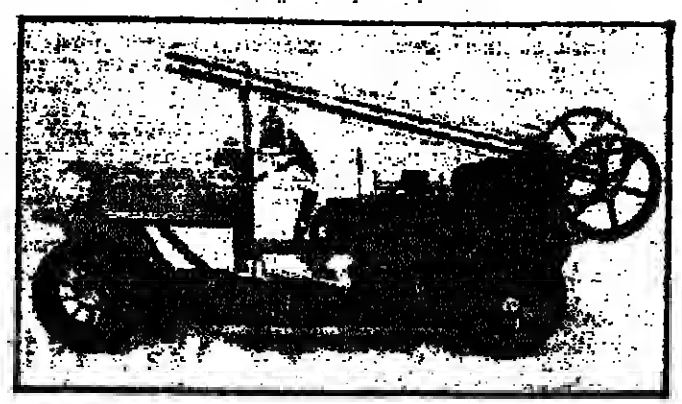
DIVERSIONS

Weekend rediscovers the essential Christmas toys of childhood

Play it again, kids

Lucia van der Post... HOW TO SPEND IT... MY CHILDREN seem to be only just out of their bicycles...

Mecano sets seem to belong to another age. Even they would have trouble recognising the kind of childhood we have...



For boys of all ages and sizes—a live steam fire engine that is a perfect replica of an Edwardian fire truck...

Just before we all begin to despair of modern youth, the good news has arrived that teddy bears are back in favour...

eyes and open their mouths and they come with a very unexcused price tag of £59.99 a time.



Stuffed doll's house from Whatsoever Things: £39.25 and order it in pink, blue or green.



Just what the well-furnished nursery needs—Pooh bookends: £18.45 a pair from The General Trading Company...

Street, Witney, Oxfordshire (0993-2616) has a large population of bears from Ruperts and Poohs and genuine 1904 replicas of original Steiff bears...



Teddies galore from "Teddy Bear," 99 High Street, Witney, Oxfordshire.

The Nursery, 103 Bishop Rd, London SW6 is the sort of children's shop parents will love—antique children's furniture...

For a very special jumper, try the craft market at London's Covent Garden—Christie Suggden (there on Saturdays and Sundays) makes wonderful knitted clothes for children...

ht cold... engine going. And it's not the AA or RAC... There are a few simple things you can do to prevent your car from getting stuck in traffic...

HIGH seasons for children's parties seem to be the summer (presumably in the wild hope that it will be fine enough to keep all the mess out of the house) and Christmas ("aren't children what Christmas is all about?").



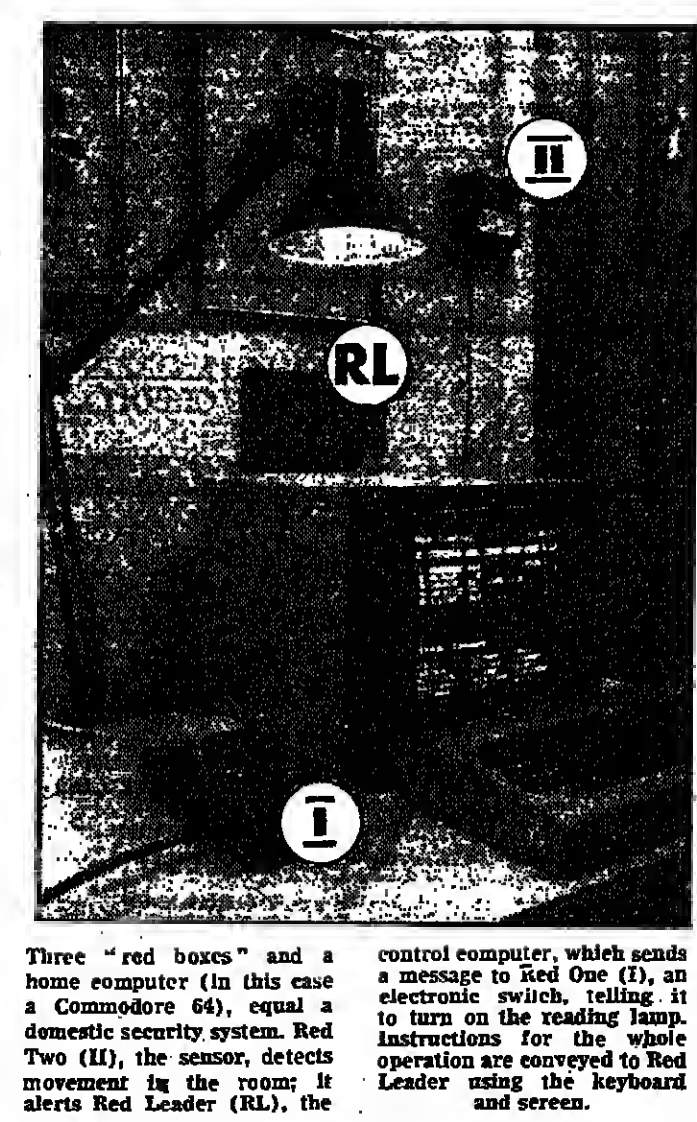
on the washing-up, Kenalington Carnival has it all. There's a useful little book called Let's Have A Party and Lucky Dip...

Alan Cane reports on a new development in home computers

Take me to your Red Leader

ALONG WITH ten or fifteen thousand other people, I cut my computing teeth in 1978 on a home computer called the MK14. It came in kit form, it cost the ludicrously low price of £39.95 (the US-made Commodore PET cost £800 or so at the time) and it was sold by a small electronics company called Science of Cambridge run by Christopher Curry.

uses, they added airily, were limited only by the user's imagination. And his or her skills as an actuary, educational psychologist, electrician, plumber and data processing professional, they might have added.



Three "red boxes" and a home computer (in this case a Commodore 64), equal a domestic security system. Red Two (II), the sensor, detects movement in the room; it alerts Red Leader (RL), the control computer, which sends a message to Red One (I), an electronic switch, telling it to turn on the reading lamp.

Saleroom

It's what you paint, not how

IF MONEY ruled the world art historians would be redundant. For all their academic efforts they have been unable to persuade the rich that the finest paintings of our millennium have been by the Old Masters—by Rembrandt, Leonardo, Raphael and the like.

KNITTING MACHINES have always frightened me a bit. They look like some strange and ugly species from outer space, with leering antennae, splayed legs, plastic bodies and lots of dials that threaten you. They seem to have a technical expertise required to work large and heavy needles. At a recent machine knitting exhibition, I found over 600 women, all wearing the products of these monsters and talking about intarsia, ribbers, lath hooks and lace punch cards. I was on another planet.

Try knitting without needles

ing back the tears of frustration, I had jammed up the machine by using thick cotton on the wrong gauge and I couldn't resist the urge to look under the fatal mistake of turning it over, thereby unhooking most of the stitches. It was just my lot when Job should have been my model.

pictures and phrases depicting Zippy as a personality. Two magazines of patterns are currently out with some basic shapes. More to follow. DESIGNER 2 from Singer (120 needles. Made in France £130) is the smoothest and quietest to operate but is also considerably heavier than the other two, ruling out easy portability. It most fiddly of the three and relies on some essential tiny attachments, which in my household would get lost in no time.

are clear, though I would have preferred one volume to the five little books. A regular magazine with lots of tips and patterns is available and provides access to the inventor, Roger Curry, whose response to comment has resulted in improvements and attachments being produced at the request of users. Lots of patterns available for British brand yarns. Personally I liked the BOND best, especially with its extension so that things like rugs can be knitted, and the ribber adds another whole dimension of possibilities. The price is also persuasive, but I think the Zippy is probably what I would choose if buying for a teenager wanting to make instant fashion. If you are planning to do a lot of knitting, with the machine set up semi-permanently, then the Singer is a serious contender because of its more solid feel and quiet smoothness.



IN STITCHES

Machines are easier and more fun to use than they look—and cost-effective, too. KAREN ELDER feeds mohair to the clicking cogs and gets hooked

works on a slightly different principle—instead of the yarn feeding in as you go along, you lay it across the open needles. This can slow things up a little but it achieves a nice natural h/urven tension. It will handle most of the thicker yarns as well as producing good results with double knitting wool. When it jams you have to unscrew the carriage to free it, which is cumbersome. I would have preferred a larger primary casting on comb than 19 stitches, and found the uneven number irritating. It is the

Antony Thorncroft

DIVERSIONS

Archaeology

Gerald Cadogan visits a London exhibition that puts history into a fresh perspective

WHAT IS new out of Africa in archaeology? For one thing, it is at last freeing itself from the habit of looking over its shoulder at Europe. Its time charts, for example, no longer need a column of Old World contemporary events to put African history in the picture. This changed a few years ago with the study of the world's oldest men, which is what most people associate with African archaeology. Now, it has percolated to its more recent archaeology—at the same time as that discipline is separating itself from African anthropology which has been tied to Europe because the observers have been European. Another fresh idea in East Africa is that we should stop concentrating on the land mass and look instead at the Indian Ocean as an inland sea like the Mediterranean. For instance, Shanga, on the Kenyan coast, has recently produced Chinese pottery and the oldest mosque in East Africa (950 AD). And Madagascar's links with cultures thousands of miles apart, from the South Seas to the Red Sea, make an equally strong case, explained in a new exhibition called Madagascar, Island of Ancestors, at London's Museum of Mankind (until 1983).



An ancient burial site, or Isokitta, in Madagascar—part of the London exhibition. Island of the Ancestors

Africa's new look

Robertshaw has been tracing the spread of cattle farming in the late Stone Age. That is fairly recent—the change to iron is now dated to 200-300 AD (in the Eastern Highlands of Kenya). Did the Stone Age cattle come from the Near East or North Africa? They were not native; nor were the sheep and goats and probably not the donkeys, either. Robertshaw suggested a spread from the Sahara. Were the people also arable farmers, since the Kenyan country is good for millet and sorghum as well as for cattle? They might have been, and could have used their stone axes as hoes. Christianity also was an immigrant into East Africa. Derek Walsby has dug at Soba (near Khertoum), the capital of the early Christian Kingdom of Alwa. A surprise is a large tenth century building underneath the town's churches, with a mud brick pulpit. A pot was found with a barrel body like an elephant, and textiles with gold thread in the weave. In the crypt were decapitated skeletons, the skulls aside in a corner. Did a martyr cult make the place holy? If Soba on the Blue Nile was one gateway from North to East Africa, the sea was an easier one. It spread Islam and trade. Mosques have long been known of the Portuguese period and earlier, but now Shanga is giving the early evidence for the new belief.

Shanga is a large settlement near the Somali border among mangroves, dunes and sand dunes in the homeland of Swahili oral tradition. From Shanga, monsoons could take traders to Arabia, the Gulf, and on to India. But it is still a surprise that the best tool for dating its complicated history comes from very far away—pottery from Chioa. The china shows that Shanga was settled around 800 and abandoned around 1400. A short period around 950 saw a remarkable burst of prosperity. Buildings were in stone and chief among them was a small mosque, similar in plan and size to mosques at Siraf in Iran—a major staging post for Eastern trade—and in Iraq. It is the oldest archaeological record of a Moslem community in East Africa, and probably belonged to African converts rather than Arab settlers. Foreign ideas take root easily in a port. Glass, Farinoid coins and Sassanian pottery are other relics of trade. What did Shanga supply? And how could it afford stone buildings of apparently imported coral? The excavator, Mark Horton, has an ingenious explanation for its 10th century heyday. That was the time of the rise of Ivory carving in Spain (with the Cordoba school), Byzantium,

and the Holy Roman Empire. Elephant tusks were clearly reaching Europe. Could they not have come from the hinterland of Shanga? The exhibition, supported by the British Museum Society and the Madagascar Society, and with loans from Madagascar, explains what is so difficult for us to grasp: what Malagasy culture means to the Malagasy, the connection between this life and the next, and the ever-present power of ancestors. Madagascar's links cover the Indian Ocean. Malagasy words are akin to those of Indonesian dialects, suggesting that the island was settled from over the ocean, and in the 1st millennium AD. But there are also Arab and Swahili words, and Arabic script. The horizontal loom supported by a backstrap has Asian links, as does the outrigger canoe (in south India, Sri Lanka, the Maldives and Indonesia). The exhibition is a happy one (filled out by a book of the same title by John Mack: British Museum Publications, £8.50/£4.95 at BM bookshops). There are noises of birds and villages, Malagasy music, reconstructed houses, tombs and a village, and pictures of the animals and the diverse countryside of an island 2.5 times as big as Britain. It all transports the visitor amid a euphoria reminiscent of Gauguin. I am ready to go there tomorrow.

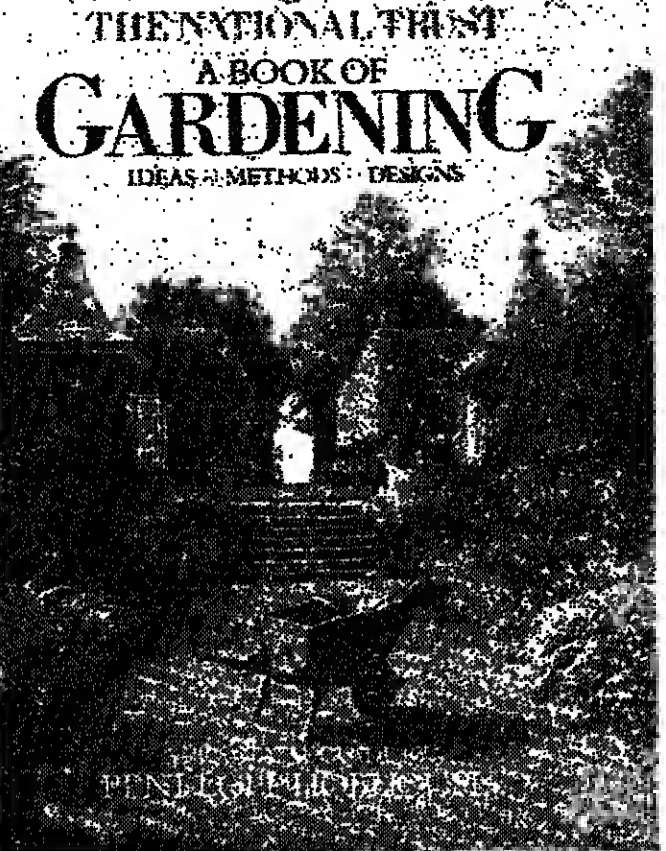
NOWADAYS, jockeys are allowed to tip horses in the same race as their own. Is it insider trading, if an author publishes a book which competes with his own in the great Christmas handicaps? This year, I notice that the horticultural field has changed its character. Publishers in the big houses seem to have had enough of gardenos, which quite a few of their editors of gardenos books do not particularly enjoy. Instead, they are offering books about gardens. You can buy the handsome Private Gardens of England by Penelope Hothhouse and also her helpful National Trust Book of Gardening (Michael Joseph, £14.95); several counts and countesses have followed up with Private Gardens of Germany (Weidenfeld at £30); Rosemary Verey is following up with the American Woman's Garden (Hutchinson at £25). Hutchinson also has the enjoyable Gardens of Ireland by Michael George and Patrick Bowen at £18.95. None of their production excels last year's Vision of Paradise by Maria Schinz from Thames and Hudson at £25.

As a gardener, not a spectator, I do not think that any of these books is a winner. The production is usually excellent and the pricing allows you to buy at least three good magnolias for the price of each book. In some cases, I do regret the tendency to snobbery, though Irish Gardens is not guilty here. Fundamentally, I feel that these books are not so much books about gardens as about garden photography. Even Penelope Hothhouse's text takes a distant second place to the sequence of colour plates. Beware of the distortion. People expect to be inspired with specific ideas from these books, but the camera tells some dreadful lies. Nowadays, photographers aspire to be artists and whenever these artists take a picture of my garden they make it look quite different and much better

than it really is. When visitors to famous gardens admit disappointment with what they "really" see, a famous photograph has often pre-conditioned them. Of course, "reality" raises all sorts of problems: Is a camera-shot less "real" than a visitor's memory? However, these tidy private garden books do trade on the illusion. They show only the garden views which are sumptuous, misty, wide-angled or atmospheric, celebrations of a season which rival a well-written paragraph by H. E. Bates. Very seldom do they prod me into action. Penelope Hothhouse's National Trust book is the best, because

it confronted the professional working gardeners in most of its sites, but their comments are sometimes rather vague and squeezed out by pictures. The snobbery hooks trail the field. Their owners either depend on trained gardeners who do not write, or else they are too shy to be uncertain, to write well themselves. If you want to improve your garden, you cannot beat a straightforward book about gardening. Nothing heats the traditional text written with love or experience, preferably both. I have still to find a new approach which turns the whole subject round and really teaches us to see it in a way which nobody has. The publishers of the broadcaster, Stefan Brzeczka, imply that they have such a rarity. However, his Ground Rules for Gardeners (Collins £12.95) claims to be a book of "garden ecology." But practical gardening books have always been about that, anyway, and I have yet to learn anything new from sections entitled "vegetational succession." Conservationists are testing the ecologists for the title of the new horticultural perspective. Their leader, Christopher Brickell, is much too good a plantsman to write a bad book (his Vanishing Garden (Murray, £15) is not quite the book I have been looking for). Its main thesis is conservation, singling out the old and endangered or lost forms of flowering plant. It turns into an alphabetical catalogue, the besetting weakness of so many general gardening books, which expect to be read, not consulted. Quite often, I cannot see why his choices are "vanishing," or if they have vanished, why we should be distressed by our rejection of some old secondary variety, superseded by later discoveries.

Having elbowed most of the field onto the rails, I ought to name my winner. It is an author's first book, written at the age of 27, with which I have been having a love-hate relationship all year. Stephen Lacey, author of the Startling Jungle (Viking, £12.95) works in London and runs a garden in North Wales. He has written a jam-packed book on colour and informal planting which ought to be read. You may think it is a case of the Lanc Plover calling Lacey too fanciful, but I do find his style indigestible. He also tends to fall off into too many plant-names and lose the reader without describing them. It is better to be selective and more readable. However, his is the book to which I am still turning back for ideas and disagreements, despite the style. Robin Lane Fox



Flower power

EVERYONE knows that it is easier to write old history than new. Close up too much is happening to distinguish what is significant and what is merely trivial. The passage of time will determine that and allow the historian to tell a convincing story. As is true of gardening as of everything else and so it was with special interest that I received Jane Brown's latest work The English Garden of Our Time (Antique Collectors' Club, £19.95) sub-titled "from Gertrude Jekyll to Geoffrey Jellicoe." Jane Brown has already written perceptively about Gertrude Jekyll and Vita Sackville-West in Gardens of a Golden Afternoon and Vita's Other World, and both these formidable ladies figure prominently in her present story. She also gives plenty of space to William Robinson who, with Miss Jekyll, normally gets most of the credit or blame for what we have been about this past century but she does not fall into the trap and brings in a lot of less well published but important characters such as Thomas Mawson and Percy Cane, both of whom spent long

years laying out the gardens of the wealthy. Harold Peto is also mentioned though linked with Lord Astor in a way which conceals the fact that he played an important role in the Italianate revival of Edwardian times whereas Astor was only concerned with his own unique creation at Bever. Jane Brown regards Christopher Tunnard as the only really substantial figure in garden design during the 1930s which, in professional circles, may well be true but never had the slightest impact on the amateurs who have been active in shaping British gardening in our day. It is this bias towards professionalism that makes me most question the tenor of her story which concludes with a chapter on Sutton Place as the garden which points the way towards the 21st century. It seems to me that gardens such as this, while immensely interesting, are not all what English garden making in our time has been about. For the truth of the matter is that we are not a nation of garden designers but one of plant lovers and as my witness I call my colleague Robin Lane Fox whose book Variations on a Garden (Robinson Lane Fox £10.95) has recently been re-issued after considerable revision and complete reillustration and is among the top six best sellers in the unrivalled R.H.S. bookshop at Wisley this autumn. Robin is a good witness in this case, since he does not grow, nor I fancy does he really like, monocultures or any of the acid-soil plants. But he does love plants and he spends much time dreaming about them. He sketches out charming, fables about plants, ponders their idiosyncracies, and considers with great care, not only where they will grow best, but also

what company will be most advantageous to them. My own belief is that love of plants has been the true characteristic of English (in this instance not necessarily British) gardening for many centuries. It is a mistake to think of the 18th-century as being dominated by flowerless landscapes. Kent, Brown and the rest managed only a few hundred of them and most of England went about growing flowers as it had been accustomed to do. Then, in the last 30 years, the flower arrangers arrived not only to demand new flowers and leaves but also to disseminate new ideas about colour and form, contrasts and harmonies. That was when Miss Jekyll was rediscovered for she too had been deeply concerned about such matters and they found her a congenial guide. Now tourists flock in from all over the world to enjoy the English Garden and what they expect to find are plants superbly grown and arranged. It is architectural design they are after they would do better to look elsewhere. Arthur Hellyer

Advertisement for the Musicians Benevolent Fund. It features a musical score and the text: "It was then I realised my playing days were over." After a life where perfection was the aim, imagine the heart-stopping moment when a musician realises all is not well. A note not quite reached, a passage you knew backwards but now can't quite manage. These are the signs that a musician has come to the end of a life of giving pleasure to others. But you can help. Just as they have bestowed their gifts on us we can give something back to them. A donation to the Musicians Benevolent Fund would help them come to terms with their loss. Even better, remember the Fund in your Will. That way your love of music can live on for others to enjoy. PLEASE SEND A DONATION, LARGE OR SMALL, TO: MUSICIANS BENEVOLENT FUND, DR PHILIP CRAMMER, MA, FRCC, CHAIRMAN, 16 OGLE STREET, LONDON W1P 7LG.

Advertisement for David Morris Jewels. Text: "DAVID MORRIS DOES YOU CREDIT... FREE! WE ARE NOW ABLE TO OFFER INTEREST FREE CREDIT ON ALL WATCHES FROM OUR SHOWROOM, INCLUDING CARTIER, ROLEX, PATEK CALPINE, MERCIER, CONCORD, VACHERON CONSTANTIN and AUDEMARS PIGUET ALSO, INTEREST FREE CREDIT WILL BE GIVEN ON ALL JEWELLERY AND GIFTS IN EXCESS OF £300. NO DEPOSIT REQUIRED. David Morris Jewels, 25 Conduit Street, London W1. Tel: 01-499 2200/529 5142. And at all our branches." Includes an image of a Cartier watch.

Advertisement for Simpson's Christmas shopping. Text: "Simpson's 01-734 2002 ICCADILLY. Dear Santa Please can I have lots of toys and mummy wants me to ask you if she can have the nightdress and handbag we saw when we went to Simpson's with daddy. She says you'll know which ones she means. Love from a Simon." Includes a drawing of a child and a gift.

Advertisement for Solve Christmas. Text: "SOLVE CHRISTMAS Robin Lane Fox offers signed Variations on a Garden, out of print for 10 years and just illustrated with 16pp colour: 6 pp black and white: 200 pages of revised and enlarged text. FREE post and packing. FREE seeds of Apricot Fagolines, donated by Thompson and Morgan. Despatched by Return. Cheques for £10.95 to: R. and L. Lane Fox, 14 Beechcroft Road, Oxford OX2 7AZ." Includes a form for ordering.

Advertisement for Ferreira Port. Text: "Ferreira: (n) A sacred ceremony which transforms ripe grapes into ruby red nectar. Ferreira: (n) A rich red liquid sought after for its therapeutic qualities. Ferreira: THE PORT WORLD'S BEST KEPT SECRET. Available at Arthur Boddham Wine Merchants, (Albion, Ash & Newby, Gough Brothers, Wineschieldon, Monks, Thurston and selected Salford & Watkinson stores. Sole Agents: Greaves & Sonnell, Part of Greaves of St. James's Ltd., Vine Court, Chalkpit Lane, Dorking, Surrey RH4 1ES.

Advertisement for Rio Mazan. Text: "Adrian Barnett reflects on the lessons learnt from his expedition to Ecuador's Mazan Valley. white orchid with star-shaped flowers which grows only in the mist of white waterfalls; the scarlet tubular bromeliads, which is pollinated by sword-billed hummingbirds; and any number of dangling tree-orchids in shades of living green. Our experts are still arguing whether the frogs have been better than the birds. We did see golden-plumed parakeets, the first sighting in the province for 40 years of this supreme rarity. We netted an orange-headed flycatcher and claim a probable glimpse of the hyper-rare rusty-faced parrot. Perhaps you would prefer the mariposid frog which carries eggs on its back or our lime-green tree frog with gold-filigreed eyes; personally, I fell for our tiny tree mouse, 2.5 inches long with brown liquid eyes, a whiskering forest of whiskers, and misshapen claws which allow it to run up any stem before the clock strikes one. It has to be said that the bat's performance was decidedly mixed. We did see the tarry brown messes of the true vampire bat; but when we sat out side bat caves and tried to count samples, we spent three hours in drenching rain and saw nothing on wings. A suspiciously rabid-looking bat then bit one of our young couples in the high-altitude camp; the panic occurred on a night when all communication broke down. I have fonder memories of our finds among the hawk moths, almost bat-sized insects which come in brilliant colours, like a coachman in full livery. Apart from the rarities, we have a mass of data to record what the people of Cuenca will be saving in their forest. I hope they find it easier to save the ecology than I found it to save my field notes and packing cases. One type of Ecuadorian is a horn bursar: My first packing list of our collections was lost by the officials, but they then refused to accept the duplicate unless the original was made available for destruction. Packing and shipping have been nightmares and perhaps we should now become honorary export-managers on the strength of the experience. However, we did leave Ecuador's lively conservative groups with detailed plans of the Mazan forest; we have been press sessions, public reports, and even an open day on the forest's lower slopes which allowed intrepid car-drivers to park their vans uncomfortably close to some of the better ferns and meadow orchids. Certainly, consciousness has been raised, not only among our 32 British participants but among our eight invaluable Ecuadorian scientists and the hundreds of people who now know why their forest is very special. We have drawn up a management plan allowing for a resident British warden and an Ecuadorian partner; there are to be fixed nature trails, beginning from our base camp, the local conservation trusts will mediate with the landowners and the people of Cuenca; the town which bought the forest. They even want us to return next year. I cannot wait, funds permitting, and perhaps 1987 really will prove the existence of the local's notorious fish-eating rat. Meanwhile, I am still bothered by the prospect of the alpacas. Introduced to a nearby reserve, they are being nudged towards our valley on the theory that they cannot be less happy there than they have been in the Cajas national park. If our plan is ignored on this cardinal point, the Mazan flora will be wrecked by the Ecuadorian ministry's own imports. Alpacas belong in Chile and to Ecuador have already dwindled in the hotter, drier conditions and 1987 will be a much slimmer survey if these hump-slinging, woolly coated lawn-mowers have been allowed a winter in Cuenca's forest reserve.

BOOKS

Faraway phantom

ALAIN-FOURNIER: TOWARDS THE LOST DOMAIN. LETTERS FROM LONDON 1905 translated by W. J. Strachan. Carcanet £16.95, 222 pages

ALAIN-FOURNIER: A BRIEF LIFE by David Arkell. Carcanet £9.95, 178 pages

THE LOST DOMAIN: LE GRAND MEAULNES by Frank Davison, illustrated by Ian Beck, with an afterword by John Fowles. Oxford £12.95, 298 pages

FEW FRENCH writers are fortunate enough to have the centenary of their birth celebrated in England with as much devotion as that of Henri-Alban Fournier who was born in 1886, son of a schoolmaster at Epineuil (Cher). He called himself Alain-Fournier when he started to publish in the literary reviews because he thought it sounded more distinguished. He was a poet, much under the influence of the nostalgic Belgian symbolist, Emile Verhaeren, before he wrote his great novel of childhood and youth, Le Grand Meaulnes. His poem, dating from the Summer of 1906, A Travers Les Etes, written in vers libre, and first printed by his friend Jacques Riviere in Miracles, enshrines the experience of the unattainable, unknown girl, before he started work on the story, "C'est la... qu'au pres de vms, oh ma lointaine... Je m'en allais, et vous m'allez..." etc etc

parents, his sister and to Riviere. We also have a new brief life of what was itself, alas, a very brief life, and a reprint with some attractive illustrations by Ian Beck in smudgy grey and yellow of Frank Davison's translation of Le Grand Meaulnes. This translation was first published in 1950, and has been available as a Penguin Classics unillustrated edition for 20 years. The number of times it has had to be reissued shows that the popularity of this text, which moves in Britain encounter in "muth during work on A-level French, has not diminished in recent years.

Nor is his British vogue solely confined to the classroom. Whole generations of novelists have grown up to believe in the lost domain and the elusive girl once glimpsed there and once spoken to. She is in John Fowles everywhere, even an anti-Gallic Little Englander like Philip Larkin seemed to be smitten in an early book, Jill. And in the previous generation the Francophile Cyril Connolly was a kind of Grand Meaulnes of the London literary world.

Fournier was 19 when he came to spend that summer in London. He was preparing to take the entrance exam to the Ecole Normale Supérieure but he was also preparing himself for the career of a writer, lodged at Turnham Green with the Nightingales, his host being one of his bosses at Sandersons. The fascination of the letters lies in their continuous switches from the kind of thing any French boy of that age might write home about his incessant complaints about English food and eating habits, fears that he is not doing his job well enough followed by pride that his letters for the firm are now being taken as models of their kind to profound meditations

on the nature of literary art with observations on Rimbaud, Péguy, Francis Jammes on the technique of free verse and the dangers of sentimentalism.

The young Frenchman was a conscientious sightseer, sending back a series of postcards of places like Hogarth's House in Chiswick with his comments scrawled all over them. These have miraculously survived and are reproduced here to the enhancement of both books. During this time he acquired his love of Dickens. David Copperfield he regarded as a model for presenting events as seen through the consciousness of a child turning into a young man.

Some of the experiences Fournier had while he was in England such as seeing people wandering over the lawn at Chiswick in fancy dress during a fête served him well when he came to write his novel. The great experience, however, the meeting—if it can be so dignified—with the blonde, impossibly pure, and beautiful Yvonne de Quievrecourt, la bella inconnue, had already occurred in Paris; that is to say the lighthouse was already taken; their encounter was in June, just before he left for England. From Arkell's book we learn that, confusingly, Mile de Quievrecourt, daughter of a naval captain, was not the first Yvonne in his life.

Even more interestingly we learn what happened to Fournier after he had written the novel and it had been published to great acclaim but failed to win the Prix Goncourt in 1913. Far from pining over either Yvonne, he had acquired a new mistress, the fashionable boulevard actress, Simone Bouda who appeared in plays by Henri Bernstein. It seems as if the sweet smell of success



The chateau—one of Ian Beck's illustrations for Fournier's celebrated novel, The Lost Domain

had begun to dissipate memories of the lost domain by now, even though he was commemorating another novel, Colombe, about a dove-like heroine. In outline this novel sounds just like a piece rose by Jean Anouilh, the most prolific of

Fournier's literary heirs. Both English books make a real contribution to our knowledge of one of the most haunting literary talents to have perished in the First World War.

Anthony Curtis

Iron Curtain myths

ARMED TRUCE: THE BEGINNINGS OF THE COLD WAR 1945-1946 by Hugh Thomas. Hamish Hamilton. £15.00, 667 pages

IN THE popular imagination, the Cold War is vaguely believed to have started with Churchill's celebrated "Iron Curtain" speech at Fulton, Missouri, in March 1946, and thereafter following the death of Stalin several years later, to have gradually melted away under the beneficent rays of "peaceful coexistence". Neither assumption has any basis in fact. The tangled roots of the conflict, as Hugh Thomas clearly demonstrates in this weighty new study, had begun to appear well before Churchill's Fulton speech, and far from having melted away, the scars haunt the scene despite the various conciliatory gestures made by both East and West over the past three decades.

and examining the personalities of the principal actors. It begins with Hugh Thomas' analysis of the interrelationship between traditional Russian imperialism and Marxist-Leninist ideology. Stalin had skillfully played on both themes, but had sought to convey an impression of sweet reasonableness towards his Western allies, Roosevelt, and Churchill, at the great wartime conferences. With the war once ended, however, there was no further need for conciliation and he was soon reverting to well-worn threats and to denunciations of alleged Western imperialist plots against the Soviet Union. As the author puts it in a felicitous phrase: "Stalin had squeezed all that he could from that charming wartime temporary gentleman, 'Uncle Joe.' 'Uncle Joe' now could retire."

In the second section, Hugh Thomas deals with the policies, or lack of policies, of the Western allies in dealing with the cumbersome presence of their Soviet partner, with a close look at the fluctuating fortunes of the Anglo-American relationship, first under Churchill and Roosevelt, later under Truman and Aetlee. In the third, he examines the fate,

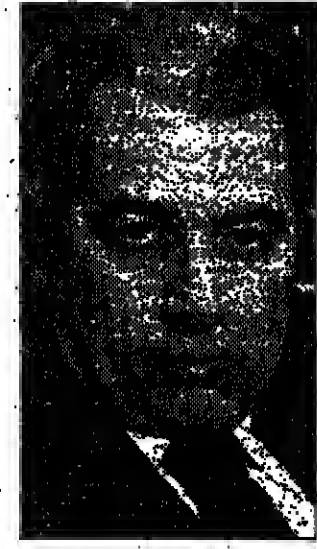
not only of defeated Germany, but of all those countries which had been drawn into the recent war, and which were now rapidly becoming pawns in the emerging struggle between East and West.

In the case of Poland, Czechoslovakia and other countries of Eastern Europe, there was now little the Western Powers could do to help. It can also be argued that the West was partly to blame for the Cold War, first by its misreading of Marxist-Leninist ideology and of long-term Soviet intentions; secondly, by a reluctance to hurt Soviet susceptibilities during actual conflict for fear of separating Soviet-German peace; thirdly by certain illusions cherished by their leaders.

There was Roosevelt, with his rosy conviction that he (and he alone) knew how to deal with "Uncle Joe." But in fact, he was not, in fact alone. Churchill himself said more than once of Stalin that he "couldn't help liking that man." On occasion, Stalin excelled in the role of the Little Father of his people; he probably believed it himself. The final two sections deal with the "Manhattan Project," the explosion of the first atomic device and the flurry of espionage that surrounded it as the Soviet Union hurried to catch up; and finally, with the head-on East-West confrontation over Persia, arising from the Soviet bid to take over Azerbaijan. By now the West had learned to read the Soviet card, but Stalin withdrew. It was late in the day for such a lesson to be learned.

Armed Truce is not only the start of a much larger project, but is itself remarkably successful in pinning down, in finest detail, a crucial turning-point in contemporary history. Unfortunately, it is also marred by a number of typographical errors, which seem to make nonsense of the intended text, and these should certainly be corrected in a future edition.

Erik de Mauny



Hugh Thomas: back to "Uncle" Joe Stalin

Counting the cost

THE PRICE OF WAR by Alec Cairncross. Basil Blackwell, £17.50, 247 pages

ECONOMICS AND ECONOMIC POLICY by Alec Cairncross. Basil Blackwell £22.50, 230 pages

IN HIS economic writings Sir Alec Cairncross combines a most refreshing flow of sweet reason with remarkable literary vitality. Of these two new books, the first (The Price of War) is a history of the post-1945 efforts of the Allies to extract Reparation from Germany, and the second (Economics and Economic Policy) a selection of re-printed essays and lectures on economic policy in recent years. Both can be warmly recommended to all who yearn for common sense with no nonsense, no algebra and almost no jargon.

is surely the level of output, employment and the standard of living more than changes in the value of money... In the end, we cannot escape from the present depression without a large increase in demand, and there is no likelihood of such an increase without an initiative on the part of Government.

The Price of War tells in much detail the sobering story of the second effort to extract reparations from a defeated Germany. The post-1918 enterprise had collapsed, damned forever by Keynes's famous argument that an attempted financial tribute would be frustrated by the "transfer problem."

After 1945 the Western Allies failed and the Russian succeeded. This was basically for two reasons: first that the Russians were determined to succeed, come what may; and secondly that West Germany was a food-importing, and East Germany a food-exporting area. At first sight "dismantling" of plants seemed to be two birds with one stone: it reduced Germany's war-making capacity, and it solved the "transfer problem." But both the Western Allies and the Russians had discovered by 1947 that if you removed the plant (eg steel works), Germany could no longer export its products.

If the UK had been willing to let millions of Germans actually starve in the food-importing British zone, reparations could have been secured. But as soon as it was decided not to allow starvation, Britain was forced either to find the dollars for food imports into Germany or to allow the Germans the capacity to produce exports to pay for them.

The Russians in the food-surplus Eastern zone did not face this dilemma. So they allowed the German population just enough food to live, and removed to Russia some plant and machinery. Large quantities of current output of consumer goods. Capital transfers were largely a failure for purely physical reasons. Prisoner of war labour, however, was also used.

Sir Alec thinks the Russians had altogether extracted something like their target of \$10bn worth (in 1940 values) by the early 1950s. This was mainly done by removing current output to the Soviet Union at the expense of the East German population. Probably even the physical destruction in Russia was largely compensated by this \$10bn.

He contrasts this with the experience of the UK; which as a result of fighting the war for six years lost overseas capital assets, and incurred and paid off overseas war debts, totalling together about \$20bn. Marshall Aid grants required only a part of this. By contrast the Soviet Union and the US lost little on balance, East Germany lost much, and West Germany all most nothing (counting in Marshall Aid).

To complete the irony (though Sir Alec stops short of this) the UK hitheer took on thereafter together about \$20bn of the foreign exchange cost of British forces in Germany, and in addition a Budget payment of about \$1bn a year net to the EEC. Nobody discovered any "transfer problem" there.

Douglas Jay

Primal northern scene

FIGURES IN A BYCONE LANDSCAPE by Don Haworth. Methuen. £9.95, 216 pages

RECOLLECTIONS OF early childhood are a chancy commodity. Don Haworth's book tells the first seven years of his life—1924 to 1930—in Bampton and Burnley, not the most romantic towns in unromantic East Lancashire. The first page so delighted me that I read the remaining 215 between lunch and tea.

Mr Haworth would be about two at this time. He had teeth, but his account of things in general is still in the concertina manner familiar from the opening of A Portrait of the Artist as a Young Man. Certainly he would have seen no photographs of Proust. We do not hear about reading until after he was four. His teachers reckoned him a slow reader.

His life was of a comfort and happiness that must have dismayed the more extreme of the Labour voters around him. Clothes were of course handed down from older to younger and worn until they fell to pieces, but young Don's more serious turn-out troubles sprang from his being better dressed than his coevals. True, he never wore clogs like other boys—fair enough for a shoe-maker's son—but he had to play football in his ordinary boots instead of proper football boots.

Father was in charge of the shoe department of a Co-op branch with three men under him. When the cotton trade began to sink, he was moved to a central factory as a machinist, but if he had complaints, he never brought them home. He was evidently not a complaining man. A Great War infantryman, he did not ever complain about his life, and set in an "He did his best, after all he was only a horse soldier."

This book contains research as well as recollection, but Mr Haworth is adept at developing the comic anecdotes of his pictures of Lancashire life in the 1920s. His world emerges in graphic detail, garnished with wit and drenched with the special brand of affection we retain for a happy home, an affection arising from content with the familiar. Only a committed innovator would have wanted a change. Two Labour Government were elected in that decade by voters like the Haworths' neighbours, but home life in industrial Lancashire changed little until the mills ran out of work; and I dare say it is not much different in essence today. I hope so, anyway.

B. A. Young

At middle-age, it is often easier to recall the details of our earlier years than of later times when we have learnt to record our affairs in diaries, certificates, cheque-stubs and so on. Mr Haworth (whom I know best as a radio playwright) reveals an unusually clear memory of his childhood, but he amplifies it with what has been picked up in later life. A doctor came and put me through it. He was called Dr Brown, which was obviously an alias. He looked like photographs of Marcel Proust, with a black moustache and aleecked hair and unblinking eyes. He thrust a spoon into my throat which rattled on my teeth, and sat in an upright chair threatening not to go until I stopped crying.

Michael Thompson-Noel

Fiction

Ringside era

THE BEST SHORT STORIES OF RING LARDNER by Ring Lardner. Picador £4.95 (paperback) 346 pages

RING LARDNER is one of the most biting of American satirists — yet so successfully did he use the techniques of the traditional American funnyman ("foshing," colloquialism, clichés, time-worn plots) that he was celebrated as a humorist by the very characters he mocked.

Lardner grew up in the age of the Robber Barons. It was also the era of "muckraking," when Mencken was scourging the "booboisie" and Sherwood Anderson in prose and Edgar Lee Masters in verse were exposing the narrowness of American small-town life.

The way to fame in those days was through journalism, and Lardner became a sports-writer for the South Bend, Indiana Times and the Chicago Tribune. Tiring of straight reporting, he took to publishing letters from a fictional baseball player, Jack Keefe, in which he "unconsciously" exposed the cruelty and selfishness of his hero. These letters, published as "You Know Me, Al" in The Saturday Evening Post, show him to be a true forerunner of Sinclair Lewis.

Between "You Know Me, Al" and "How to Write Short Stories" in 1924 Lardner published a great deal. "How to Write Short Stories" brought together what Lardner considered his best pieces to date — stories such as "Alibi Ike," "Some Like Them Cold" and "The Golden Honeycomb," all of which, plus the shattering "Haircut" from The Love Nest in 1928, are reprinted in the volume under review. In truth, it would be hard to

fail in choosing The Best Short Stories of Ring Lardner for he did the job very well himself and has been selected and re-selected many times since his death in 1933. The present edition was pushed by Scribner's in the 1950s, and has never been bettered. Why Picador should have chosen to bring out these superb stories nearly 30 years after the 1957 collection is a bit of a mystery but nevertheless a very welcome event.

No doubt their being out of copyright helps, but let us hope that it signals a new British understanding of where the real strength of American literature lies. The virtually unknown Lardner is immensely superior to the lightweight but much better-known Damon Runyon. Certainly, these 25 time-bombs unearthed from the Lardner archives make a lethal impact just before Christmas. No glutinous sentiments here, but a merciless exposure of human foibles. At his best Ringold Wilmer Lardner of Niles, Michigan, is a satirist of the first order. He exposes sham and hypocrisy, but is neither bitter nor patronising. To compare him with the sentimental W. Jacobs is to see how unhearably accurate Lardner's simulacrum of life at this level can be.

As W. H. Auden points out in comparing the life of Huckleberry Finn with that of Oliver Twist, there is a terrifying grimness about Huck's experiences that Oliver, for all his bad fate, never had to face. "All American literature comes out of one book by Mark Twain called Huckleberry Finn," said Ernest Hemingway. Ring Lardner followed in the footsteps of the master—and he could have even chosen no better example.

Geoffrey Moore

CRIME

HARJUNPAA AND THE STONE MURDERS by Matti Joensuu. Gollancz £8.95 156 pages

REMEMBER ARIADNE Oliver, the delightful fictitious crime writer created by Agatha Christie and persecuted, as Dame Agatha was by Poirot, by her own fictitious creation, in this case a Finnish detective? Well, here is another Finnish detective, Timo Harjunpaa, making his debut.



William Weaver

horrifying account of adolescent thuggishness will hardly make him popular with the Helsinki Tourist Board. Rauli Taylor's translation has these Finns speaking pure—or rather impure—British ("bloody berk" etc); but this was the only possible solution. After a brief initial linguistic shock, it all convices.

William Weaver

SPORT AND POLITICS: A WORLD DIVIDED by Neil Macfarlane. Collins Willow. £12.95, 271 pages

SERIOUS BOOKS about sport are relatively rare. Even rarer are books that confront, face on, the politicisation of sport, and acknowledge, without blinking, how sport and politics have become so inextricably mixed.

Thugery in soccer. Athletes, money, drugs. Boycotts. Big business and corporate sponsorship. The Olympic Games as a major instrument of international politics. These are all big issues, deserving mature treatment, and that is what they get from Neil Macfarlane, a

Sports minister speaks

former British Sports Minister (Tory), who on being appointed to the job in September 1983 received a phone call from Michael Heseltine (then Secretary of State for the Environment), asking: "You do like sport, don't you?"

As Macfarlane says, what Heseltine omitted to ask him was whether he was also interested in gypsies and gems, ancient monuments, sites of special scientific interest, national heritage, zoos, national parks, royal parks and palaces, nature conservation, planning and land reclamation — all of

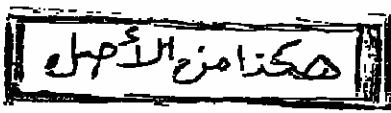
which (and more) come under the umbrella of the Parliamentary Under-Secretary of State with responsibility for sport.

In a way, the ambiguity with which the political establishment in Britain treats sport says it all, for Britain is almost the last refuge of amateurism — something that is demonstrated, with equal vividness, by our performances at world level and by the sort of bureaucratic shambles that masqueraded last summer, as the Edinburgh Commonwealth Games, in 1983, and win would not)

in collaboration with Michael Herd, of The London Standard, and appears to rely, on occasion, for too heavily on the cuttings files. But it contains many good things, particularly when Macfarlane is clearly drawing on his experience as an insider. Soccer, rugby, and cricket are adequately covered. But the best chapters are those on athletics and drugs, and on the political manoeuvrings that torpedoned the Moscow and Los Angeles Olympic Games. (Macfarlane sounds highly pessimistic about the Seoul Games, in 1988, and win would not)

He says that if he has a particular memory of his four years as Sports Minister, it is of a grimy youngster, about eight years old, approaching him after he had opened a synthetic soccer pitch in Toxteth, on Merseyside. "Is that for us?" he asked, sounding like John Conteh, the former world light-heavyweight boxing champion. "Yes, it is," I replied. "Well it's smashing, burrit's too bloody good for us up ere." There is all the sadness in the world in that remark.

Michael Thompson-Noel



John Barrett in Stuttgart reflects on a revolution in world tennis

Where Europe is top of the world

WHEN THE history of world tennis in the 1980s comes to be written, 1986 will be recognized as a watershed. It marked the moment when Europe finally came of age. After four decades of largely American and Australian domination...

Because of her awesome consistency on all surfaces and the fact that Martina Navratilova has been an American citizen since 1981, the American record in women's tennis appears to be less bleak. But Martina is really a product of the Czech system...

the list. Even the 10th place is occupied by an Ecuadorian, the genial left-hander Andres Gomez. Admittedly the absence of John McEnroe for the first two thirds of the season robbed the US of its potential success. But where are the Tanners and Meyers, the Gottfrieds and Dibbo, the Gerulaitises and Solomons who used to live among that select band?

passed American standards. You only have to look at the qualifying events at leading European tournaments to know how high the standards have become. So too has public interest. It is not only Boris Becker who is bringing the crowds flocking to tennis tournaments...

belong to a tennis club. It is only a matter of time before this produces some good young players to stand alongside Heinz Günthardt and Jacob Hasek in world class. Remembering the decline in playing standards of British tennis over the past decade it is salutary to note that Britain, where the game was invented over a century ago, actually shows a decline in club membership...

junior environment by establishing tennis schools and by taking young teams abroad for experience. This is what the Americans lack. Jonathan Canter is a 21-year-old American who has been competing this week in the Waterford Crystal Young Masters in Stuttgart—the tournament which first launched Boris Becker on his winning path in January 1985, in Birmingham. Four years ago Canter was the top ranked US junior. But there was no American system of development for him to join. He is not bitter about having no help from the super-affluent USTA even though they have no programme and have temporarily shelved plans to start an academic institution. But he recognises that he must earn enough to be able to afford his own coach for, unquestionably, it is now virtually impossible for an individual to survive alone in this increasingly fierce competitive jungle. Let us hope that historians reviewing the 1990s will refer to it as the decade when Britain built dozens of indoor facilities and started to catch up with the rest of the world. The Americans, too, would echo those same sentiments.



Boris Becker—record gates

FAMOUS FOOTBALL clubs carry their histories like the lead weights sewn into the saddlebags of successful race-horses. Fans can always remember wistfully the days of old when shorts were longer and haircuts were shorter; when forwards did not need to be pointed in the direction of the goal. At Arsenal, even the architecture harks back to the golden age of the Thirties, when the club was occasionally lent to other football clubs. Heroes roll off the old team sheets—from Ted Drake and Cliff Bastin to Charlie George and Peter Storey.

Philip Coggan reports on the centenary year revival Arsenal's own big bang. At Arsenal, even the architecture harks back to the golden age of the Thirties, when the club was occasionally lent to other football clubs. Heroes roll off the old team sheets—from Ted Drake and Cliff Bastin to Charlie George and Peter Storey.

come to expect from the Arsenal we know and are used to yawning at. In the past ten years, Arsenal have been outclassed in the fair department by their deadly rivals Tottenham, with Leslie Ashles, Ricky Villa and Glenn Hodges. Now pride is back in the voices of the Gunners' supporters. Graham is diplomatic about the change in fortunes. "Without criticising anything about the past regime... I've a lot of respect for Don Howe... some times a new personality, a different approach, can bring better results." Indeed, he has hardly felt the need to change the playing staff since Howe left him. His only signing this season was Perry Groves from Colchester for £50,000, hardly an extravagant record.

When one was conceded last week against QPR the players were concerned enough to hold a post-match meeting. In midfield, many expected Arsenal to be vulnerable following injuries to Charlie Nicholas, Stewart Robson and Graham Rix but their absence has given Steve Williams a chance to display his new-found maturity and fill the kind of role that Graeme Souness traditionally played for Liverpool—the reference point from which all moves must start. That has given Roostle the chance to display his fair in beating players and creating opportunities around the box. So successful has the Arsenal midfield proved—13 games unbeaten and five successive wins—that there must be doubts whether Arsenal will really benefit from a speedy recovery from the recent start. A settled side develops its own confidence and momentum and players are quick to be resentful if they are dropped when playing well. But Graham feels that competition for places can only be healthy. Attack remains, as Graham recognises, Arsenal's weak point. "There needs to be more competition for the forward places," he admits. Quinn is big, but raw and awkward, and might prove a better player in the long term if he was not forced to learn his trade in the glaring spotlights at the top of the First Division. So Graham may be forced to air his cheque book before the end of the season. Many players have been tipped to go to Highbury but if nationality were the criterion, some of the tahlid favourites might not reach the starting gate. "I am very keen to bring Scottish players here," he says. "I love their passion." Can the Gunners take the championship? The most frequently quoted authority on the question is George Graham himself, who doesn't think they can. One should certainly be cautious about reading too much into League positions this season—Norwich, Tottenham, Nottingham Forest, Liverpool, even Wimbledon, have all been top already. "But Arsenal have managed to hang on to the position for several weeks. However, they face a relatively tough match away to Norwich today." Despite Graham's misgivings about his attack, defences are often enough to win trophies for clubs in these seasons and with the Highbury team already in the Littlewoods Cup quarter-finals, it would be surprising to see them end the season without any sort of honour.

FT CROSSWORD PUZZLE No. 6.202

CINEMILE crossword puzzle grid with clues for Across and Down.

Prizes of £10 for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4A 3DF. Solution next Saturday.

SATURDAY

1 indicates programme in black and white. BBC 1: 9.00 am Family News, 9.35 The Muppet Show, 10.00 Saturday Superstore, 12.15 pm Grandstand, featuring 12.20 Football Focus, 12.50 Racing from Ascot, 1.05 Sixty Minutes, 1.30 Sportsday, 2.00 News, 2.30 The Saturday Club, 3.00 The Saturday Club, 3.30 The Saturday Club, 4.00 The Saturday Club, 4.30 The Saturday Club, 5.00 The Saturday Club, 5.30 The Saturday Club, 6.00 The Saturday Club, 6.30 The Saturday Club, 7.00 The Saturday Club, 7.30 The Saturday Club, 8.00 The Saturday Club, 8.30 The Saturday Club, 9.00 The Saturday Club, 9.30 The Saturday Club, 10.00 The Saturday Club, 10.30 The Saturday Club, 11.00 The Saturday Club, 11.30 The Saturday Club, 12.00 The Saturday Club, 12.30 The Saturday Club.

TELEVISION AND RADIO

CHANNEL: 9.25 am No. 73, 1.20 pm The Fall Guy, 12.30 am Olympic at Work. GRAMPAN: 9.25 am No. 73, 11.00 World Championship Boxing, 1.20 pm Magnum, 12.30 am Reflections. GRANADA: 9.25 am No. 73, 11.00 Tarzan, 1.20 pm The Usual Woman, 2.15 Orson, 12.30 am Special Squad. HTV: 10.30 pm Club Rugby, 11.15 Snooker. SCOTTISH: 11.00 am World Championship Boxing, 12.30 am Late Call. TSW: 11.00 am Gus Honeybun's Magic Birthdays, 1.20 pm The Fall Guy, 6.05 Newsnight, 8.10 Blackbustard, 8.40 The A-Team, 10.30 Soccer Special, 11.00 Snooker, 12.30 am Postscript. TYNE TEES: 11.00 am World Championship Boxing, 1.20 pm The Fall Guy, 12.30 am Olympic at Work, 1.00 Company. ULSTER: 11.00 am No. 73, 11.00 World Championship Boxing, 1.20 pm Knight Rider.

TELEVISION AND RADIO

YORKSHIRE: 9.15 am Unnatural Causes, 10.15 ITV News and Sport, 10.30 Snooker, 12.30 pm Music Box-Video, 1.00 Music Box Eurochart, 2.00 The Sunday Show, 3.00 First Sight, 4.00 The Sunday Cinema, 5.00 The Shadow. BBC RADIO 2: 8.05 am David Jacobs, 10.00 Sounds of the Sixties, 11.00 Album Time, 1.00 pm The News Hour, 1.30 Sport On 2 including Football, Rugby Union, Rugby League, Racing from Ascot, Crickets, Third Test, Also featuring from the America's Cup, 5.00 Green of Sport 1986, 9.30 Don't Stop Now—It's a Fundation, 10.00 Best of the Record, 7.30 am Evening in Vienna, 9.30 String Sound, 10.05 Martin Kellner, 12.05 am Night Owls, 1.00 Bill Rennie, 3.00-4.00 The Metropole Orchestra. BBC RADIO 3: 6.25-7.35 am Test Match Special (not only on 6.55) Australia v. England, 8.25 Weather, 7.00 News, 7.05 Auldies, 9.00 News, 9.05 Record Review, 10.15 Stereo Release, 11.05 Boston Symphony Orchestra, conducted by Seiji Ozawa, 12.25 pm Two Guitars Trio, 1.00 News, 1.05 Sheraton, 1.40 pm Peter Postinger, 2.00 9AC Symphony Orchestra, 2.50 Oltrich Fischer-Oleak at Salzburg, 5.00 Jazz Record Reviews, 6.45 Citra's Forum, 6.55 Liszt, 7.15 Music's Times, 7.30 Rock Ensemble, 8.30 Live Dates, 9.00 Open by Scheriff, 9.30 French, 9.45 News, 10.05 Les Cowboys (Act 4 and 5), 11.00 Concerto and 9.45 11.45 Music of the Spared, 12.00 News, 12.00 Music Introduce, 12.30 Music, 1.00 Match Special, Australia v. England. BBC RADIO 4: 7.00 am News, 7.10 Today's paper, 7.15 On Your Feet, 7.45 In Perspective, 7.50 News, 8.25 Week End, 8.30 News, 9.10 Today's Paper, 9.15 Sport On 2, 9.40 Yesterday in Parliament, 9.00 News, 9.05 Breakaway, 9.50 Newsday, 10.05 The Week in Westminster, 10.30 News, 11.30 From Our Own Correspondent, 12.00 News, 12.05 Weather, 1.00 News, 1.10 Any Manures?, 1.55 Shipping Forecast, 2.00 News: The Afternoon Play, 2.00 News, 2.00 News, 2.00 News, 3.30-4.00 News: Travel, International Assignment, 4.00 With Great Pleasure, 4.45 Football, 5.00 Film of the Week: Waterbury, 5.00 News, 5.05 Sports, 5.25 Sport of the Week, 7.00 Saturday Night Theatre, 8.00 News, 8.05 Christmas Party, by Frank Richard, 8.30 Santa's Story, 8.30 Thriller: 'Oop and Crap and 10.15 Evening News, 10.15 News, 10.15 News, 11.00 Science Now, 11.30 News, 12.00-12.15 am News: Weather.

SUNDAY

1 indicates programme in black and white. BBC 1: 0.15 am Morning Worship, 10.00 Adon Magazine, 10.30 Ideas Unlimited, 10.50 Sunstone, 11.30 Lyn Marshall's Everyday Yoga, 11.30 Parent Programme, 11.45 television, 12.10 pm Sportsday, 12.30 The Saturday Club, 12.50 Weather for Farmers, 1.00 This Week Next Week, 2.00 EastEnders, 3.00 Match of the Day Live, 4.55 Comedy, 5.35 International Show Jumping, 6.00 David Copperfield, 6.30 News, 6.40 Songs of Praise, 7.15 Sports Review of 1986, 8.30 News, 8.30 The Sunday Detective, 10.05 Evryman: Cendia in the Dark, 10.55 O'Donnell investigates, 8.00, 11.20 Rhode. BBC 2: 1.45 am Open University, 11.00 Oastly and Muzley, 11.10 The Charlie Brown and Snoopy Show, 11.30 Blue Peter, 12.30 pm The Children of Green Knowles, 12.50 No Limits, 1.40 Rugby Special, 2.30 The Week in the Lords, 3.00 News, 4.25 Music in Camera, 5.10 Thinking Aloud, 5.50 SHI Sunday, 6.30 The Money Programme, 7.15 News, 7.25 News, 7.30 News, 7.35 News, 7.40 News, 7.45 News, 7.50 News, 7.55 News, 8.00 News, 8.05 News, 8.10 News, 8.15 News, 8.20 News, 8.25 News, 8.30 News, 8.35 News, 8.40 News, 8.45 News, 8.50 News, 8.55 News, 9.00 News, 9.05 News, 9.10 News, 9.15 News, 9.20 News, 9.25 News, 9.30 News, 9.35 News, 9.40 News, 9.45 News, 9.50 News, 9.55 News, 10.00 News, 10.05 News, 10.10 News, 10.15 News, 10.20 News, 10.25 News, 10.30 News, 10.35 News, 10.40 News, 10.45 News, 10.50 News, 10.55 News, 11.00 News, 11.05 News, 11.10 News, 11.15 News, 11.20 News, 11.25 News, 11.30 News, 11.35 News, 11.40 News, 11.45 News, 11.50 News, 11.55 News, 12.00 News, 12.05 News, 12.10 News, 12.15 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